SUNDAY TIMES
business news

K tobacco faces ax revolution

BY STEPHEN ARIS, Foreign Editor

a long and detailed Imperial Tobacco, largest cigarette com- has concluded that Market entry could alter British smoking change the entire g pattern of the cigar- lustry and call into its long standing hip with British Ameri- acco which currently nd promotes all 's foreign trademarks. l fears that the Common ould deal a death blow mpany's whole range of eap cigarettes such as selling Players No. 6. s no question," says Bill mperial's deputy chair- at the small, high grade the kind we have tradi- provided is in danger." rmore there is a possi- at the company will y have to drop coupons motional aid. Industry oint out that coupons ed in four EEC coun- that in the remaining gium and Luxembourg, a voluntary agreement e trade associations not em. The industry there- ludes that as the Euro- bacco industry moves harmonisation, British s will come under in- pressure to drop them essure, it is feared, that h Government will do resist.

h the key process of ng Europe's immensely obacco tax structure has t begun, the British cigarette firms have been taking a very hard look at the prospects inside the EEC. By and large they do not like what they see. "I think," says Richard Dobson, chairman of British American Tobacco, "that we could be in for a very tough time."

The effect of the likely tax changes falls into two parts, one fairly clear, and marginally beneficial; the other much less ponderable, but potentially much more significant to British smoking habits.

Assuming entry in 1973, Britain will then have five years to dismantle her present excise tax, levied on tobacco as soon as it leaves the bonded warehouses at the docks, and substitute an internal tax, based on the finished product and paid when the cigarettes leave the factory for the wholesaler, as happens on the Continent. This will in fact be a substantial saving to the company—millions of pounds of financing charges are now tied up while duty-paid tobacco is passing through the production pipeline.

But the second part of the tax change is more disturbing. Currently, excise duty is levied on the weight of tobacco in a cigarette, irrespective of quality. This has encouraged the manufacturers to cut down the size and weight of cigarettes but to keep the quality high.

Europe, on the other hand, is moving towards a double-sided tax, partly based on weight, like Germany's present system, and partly in the form of an *ad valorem* levy on the retail price, as in France. The precise mix is not yet settled, but most experts expect a high *ad valorem* content.

This, if adopted, would mean a disproportionate tax rise for Britain's small, high-quality cigarettes. As only fractions of a penny separate the manufacturing costs of an expensive cigarette from a cheap one, there is bound to be a sharp price rise at the lower end of the market—unless firms like Imperial Tobacco and Gallaher are prepared to switch to cheaper tobacco.

The industry is now beginning to look very hard at some crucial questions. Which will the British smoker put first, his palate or his pocket? Should a firm like Imperial take the plunge and introduce a British Gauloises, in an attempt to re-educate the British public in time? And if they do, will they merely open the way for France's well-entrenched state tobacco monopoly to invade the U.K.?

New cigarette

PLAYER'S, part of the Imperial Tobacco Company, is quietly introducing its second king-sized cigarette in five months, No. 6 Kings at 29p for 20. The textured, aqua-green pack contains seven vouchers which are interchangeable with the coupons in the regular No. 6 and No. 10 brands. The new cigarette is aimed at picking up smokers who buy No. 6 during the week but switch to a more expensive, bigger brand at the weekend—about 10% of the king-sized market is made up of weekend smokers.

Kelvin Brodie

Clyde leader James Airlie (centre) with his men: now for the crunch

Clyde rebels—their first big test

BY JOHN FRYER

THIS WEEKEND in Glasgow the Upper Clyde shipyard workers are digging in for a long siege. Not with barricades, not with guns; just a few thousand pounds in the bank and the communal conviction that they must stick together at all costs. For on Thursday the liquidator put in to wind up UCS announces the first redundancies, and the workers' revolution on Clydeside will face its first major test. "We're ready for him, and we're solid," says Bob Cook, one of the men's leaders.

It is now two weeks since the workers at John Brown's yard in Clydebank launched their "work-in" over the Government's plan to reduce the UCS manpower by 6,000, leaving only 2,500 jobs. On Monday they were joined by the men at the Fairfield, Stephen and Connell divisions who had been on holiday. Now, a collective force for the first time, they are ready for the worst. But, behind Bob Cook's rhetoric, they know the danger: if any of the 200 men laid off this week decide to fade into obscurity on the dole instead of defiantly continuing to work, their ranks will be split. "That," says one old boilermaker sagely, "could be the beginning of the end."

Much has been achieved in the past two weeks, not least the fighting fund. The men will not say what it is worth, but claim £3,300 poured in over two days last week to go with £5,000 from the Scottish miners and a 50p per head levy on all the UCS workforce, which will net £4,000 a week. Perhaps the most important psychological fillip, though, came with £1,000 from John Lennon and Yoko Ono. "This was good," says Bob Cook. "I mean, they're not exactly working class any more."

Cash in the fighting fund will be used to pay redundant workers, and the tactics of the work-in, which is pledged to save all the men's jobs, are now clear. The men now have a financial base and are keeping their spirits high with strategically planned bursts of euphoria like next Wednesday's demonstration in Glasgow. "This will beat even the Hungry Thirties," promises one shop steward. If they can hold out, they believe they can frustrate the liquidator's efforts to pay off UCS's creditors. Then, the argument runs, the creditors will put pressure on the Government to change its mind.

An indication of the way this harassment will work came on Thursday when some draughtmen's boards the liquidator has sold were due to be moved from Fairfield's; the men refused to let them out of the yard. Meanwhile, however, they are continuing to build ships which is, of course, what the liquidator wants. But his job is to clear matters up quickly and the men believe persistent interference will prompt a showdown.

The Government, well aware of this ploy, has made threatening noises. At present its plan it to maintain shipbuilding at Fairfield's and keep the steel works at Stephen's but, if a new company is to be set up, it must be created soon to take new orders for ships. Any delay, says the Government, could mean all the yards will close. "Go ahead and try" say the men. "We're losing 6,000 jobs already so why should we worry what you say?"

Such determination has impressed even the hard-bitten UCS management. Every day the 30-strong union co-ordinating committee, consisting of leading shop stewards, meets at John Brown's under its chairman, James Airlie, and the eloquent Jimmy Reid, its leading spokesman. Both are Communists, but the committee has been at pains this week to stress that this is no Red revolution; there are all political colours (except Tory, of course) among the others.

After this a Press conference is called in a partitioned corner of the works' canteen. Airlie, a powerfully built man with short black hair sits in an open-necked shirt answering questions deftly, often calling reporters by their Christian names. "What will you do about the redundant men's insurance stamp," comes a question from the floor. "Make them self-employed members of the co-operative," retorts Airlie, instantly. The committee's public relations machine is well oiled; the men have managed to find a new story every day for the Scottish papers, although coverage in England has fallen away during the Ulster crisis.

Then the stewards split up to return to work: at Clydebank this means Bob Dickie's little convenor's office in the heart of the yard. The office has sickly light blue walls with a girlie calender in the corner. Dickie's desk has three telephones (an extra one hired from the Post Office) and he picks one up, mutters an answer, and hurries off to a meeting elsewhere. His deputy, Gerry Ross, slips into his place. A phone rings again, as two strangers walk in.

They are from one of the Sheffield steelworks due to close under the BSC's rationalisation, and have come to attend a meeting to express solidarity with the Clyde. But there is no meeting: it was held the day before. "That must be our fault," says one of the Yorkshiremen, "We must have read yesterday's Morning Star by mistake." They rise to go. "But what shall we tell the Press? This is headlines in Sheffield." Ross doesn't know, and they leave.

Meanwhile, a man is detailed to show me round the yard. As we walk towards the building berths he spots two tugs slipping by towards the fitting out dock. "Hang on a minute," he says. "I wonder what they're up to." He runs off to tell the convenor. False alarm. They have only come to tow away the legs of an oil rig fitting out down river.

In the yard everyone is busy. Up in his office Bill Jackson, John Brown's divisional director, carries on as normal and the men take his orders. One strange thing about this revolution is that a good many of the management are in it as well: they, after all, also stand to lose their jobs. So they support the fighting fund and keep the stewards advised on the supply position of materials.

It is now near six o'clock, and the end of a long day for two union men at the gate screening people coming into the yard. Finally, Bill Jackson drives out in his car. "You can close up now," says one old revolutionary. "The guv'nor has gone home."

But, however friendly it all seems on the surface, there is no doubting the steel backbone that has been welded into this Upper Clyde work-in. The fact that it has already lasted well beyond the five-day-wonder stage is itself an achievement. If the men can clear Thursday's big redundancies hurdle they may yet have a few more surprises for the Government.

Norway seeks Tyne workers

THREE Norwegian shipyards have mounted a campaign with the active co-operation of the Department of Employment and Productivity to recruit skilled British platers and welders from Tyneside and Wearside.

Over the past six weeks, recruiting teams from the Stord shipyard in West Norway and from Nylands Verksted in Oslo, both part of the Aker shipbuilding group, have been visiting Newcastle in search of labour.

So far only 12 men have gone to Norway, where they have been offered guaranteed employment for up to two years and wages of up to £50 a week with overtime. But next Wednesday another batch of 15 will leave for Oslo with a further 11 departing for Stord a week later.

The first attempts by the Norwegian firms to recruit British labour were not wholly successful. Of the 40 men initially interviewed, 22 agreed to go but 10 returned to Newcastle after only a week. According to the DEP, six were so drunk on arrival that they never got to the Norwegian yard and four returned after discovering that the Norwegian authorities were charging them a 36% rate of tax. What they failed to realise was that this tax charge included social security contributions, and the DEP says that this misunderstanding has now been sorted out. The DEP anticipates that as the Norwegians are offering guaranteed employment of a kind that is not available on Tyneside there will be a "steady trickle" of skilled workers to Norway.

Camera cuts

THE LOSS-MAKING West German camera concern, Zeiss Ikon, yesterday slashed four directors from its board on orders from its parent company, the Carl Zeiss Group. Of the board members, only the chairman, Fritz Gössler, survived; two of his colleagues have been pensioned off and the remaining two have been transferred to other parts of the group. A senior director of the parent company has been drafted in to put the firm back on its feet.

This boardroom putsch has come at the end of a period in which the company, despite massive sackings and the closure of the Stuttgart factory, has lost £1½ million—about half its original paid-up capital. From now on, all camera production is to be concentrated at Zeiss's plant in Braunschweig.

g probe on US share sales

BY HARLOW UNGER, New York, Saturday

executives at International Telephone and Telegraph on sold a total of 14,364 nary shares in the six eceding the announce- a settlement of the US Department's anti-trust gs against the company, closed yesterday.

of the sales, which ranged from 200 to 5,000 shares, were first disclosed by the St. Louis Post-Dispatch. And although ITT confirmed that the sales had been made, the company insisted that the charges that its executives had benefited from inside information about the pending settlement were "baseless and without foundation."

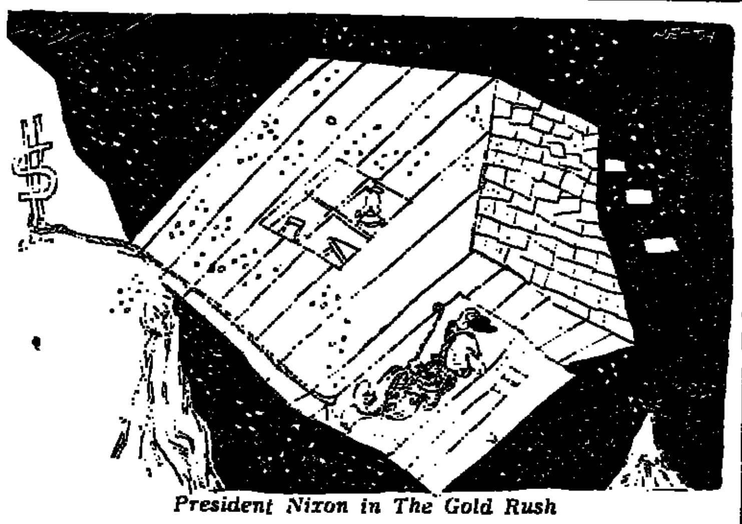
Under US securities laws, it is illegal for company officials with "inside information" about prospective changes in the company's operations to benefit from such knowledge by dealing in the company's stock before the information is publicly available.

After the settlement was announced, ITT shares fell by about $10 a share—from $62 to $52.

The settlement calls for ITT to sell, within three years, $1,000 million worth of its assets, including Canteen Corp, a vending concern the fire-protection division of Grinnell Corp, one of two life insurance companies (either Hamilton Life or ITT Life), Levitt and Sons, the world's largest home builders, and Avis Rent-A-Car.

Freight rate up

THE New Zealand Conference Lines are to increase freight rates by about 12½% on November 1, blaming rising costs. Rates were increased by 12% last February. The Lines members are: Blue Star, The New Zealand Shipping Company, Federal Steam Navigation, Port Line, Shaw Savill and Albion.



President Nixon in The Gold Rush

Must the dollar fall? An inquiry from London and New York **p.45**

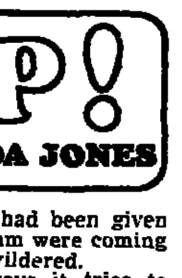
The Yarra Bridge Anatomy of a tragedy **p.39**

How they make money on a £12m fund **p.42**

SHOP!

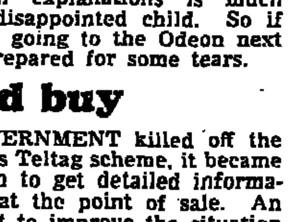
Edited by BRENDA JONES

Lock up your sleeve



IF YOU'VE ever stood in a queue at the end of a show, waiting impatiently to get your coat out of the tiny cloakroom, you'll be grateful for the success Ian Albery is having with his Paralok system. This is basically a row of fixed coathangers, each with a chain attached which you slip down the sleeve of your coat and lock in at the bottom—with variations for brollies and briefcases. Managements benefit because it costs less to run than the old manned system which could run at a loss of £500 a year and still irritate the customers. And you benefit because it's quick, safe and free. Paralok cloakrooms have been fitted in theatres, cinemas, clubs (and the Inner Temple—surely those lawyers can't be dishonest?) and hospitals and Albery is experimenting with a version for shops. Details from: Lock Systems Ltd., 12 Earlham Street, London, WC2.

Tear jerker



AT THE Odeon in Morden, Surrey, last week they were showing Walt Disney's The Aristocats and the enterprising manager had turned over the circle bar to soft drinks, ices and lollies to suit his young matinee audience. There was just one drawback. Nothing on sale cost less than 7½p, and children who had been given a shilling to buy their ice-cream were coming away empty-handed and bewildered.

The Odeon organisation says it tries to see that cinemas stock cheaper lines when there is a children's film showing and suggested that perhaps this branch had simply sold out due to heavy demand; or maybe it had not sold all its adult stock the week before and were having to finish it up. Neither of which explanations is much consolation to a disappointed child. So if your offspring are going to the Odeon next week, better be prepared for some tears.

Read and buy

WHEN THE GOVERNMENT killed off the Consumer Council's Teltag scheme, it became difficult once again to get detailed information about goods at the point of sale. An interesting attempt to improve the situation is being made by a shop called Your Best Buys (at 12, Earlham Street, London, WC2) which concentrates on items, especially small electrical goods, chosen from "Which" reports and the Council of Industrial Design Index. It is not entirely geared to "Which" since some models have improved since the most recent report was published and other 'best buys' have fallen off as companies change hands. But to enable shoppers to find out exactly what they are buying, there is a complete set of "Which" on the shelves and binders made up by subjects so that all the reports on, say, hair-driers can be consulted at a glance. It would be good to see the idea spread.

Imperilled pilchards

OUR PIECE in Shop! last week explaining where all the corned beef has gone had one swift result: a number of letters asking where all the pilchards had gone. I didn't think you cared. However, Shop! asked an importer and he says there is still a vast shoal of pilchards off the South West coast of Africa (all our pilchards come from South Africa), but the breeding grounds have recently been invaded by the fiendish anchovy, which outbreeds the pilchard and generally makes life very difficult for it.

Calculating that, in the long run, pilchards are more profitable than anchovies, the South African Government introduced measures to fish out the anchovies and conserve the pilchards until the old balance is restored. Supplies won't be back to normal till 1973 (though murky experiments are going on in the meantime with British mackerel in tomato sauce) and the canners are gambling that you won't have lost your taste for them by then. Meanwhile, with all those extra anchovies about, will the price of those come down?

But where are the safe fires?

INSIGHT CONSUMER UNIT

ELECTRIC FIRES sold in Britain are to be made safer, following the publication tomorrow of a new British Standard. This lays down rules for a second protective grid in the form of a wire mesh completely enclosing each element. It should cut down the number of severe burns suffered by small children, and increase protection against clothes catching fire. The Home Office plans to make the new Standard compulsory from next summer.

Although manufacturers have known the main provisions of the new Standard since the spring, fires which conform to them will not be widely available until next summer. British Domestic Appliances, a subsidiary of GEC and one of the main producers, maintains that it has been making fires for the coming winter since June; the new Standard, it says, has come too late for it to produce safer fires this year.

The Standard is the result of agitation by a number of doctors, and by the Royal Society for the Prevention of Accidents, to reduce the risks peculiar to electric fires. The main danger is that a young child will grip a heating element. (With a gas or oil heater, the heat near the flame acts as a more effective deterrent to most children's fingers.)

In addition, electric fire elements can cause shock: there have been frightening cases of young children gripping an element, and the grip growing tighter with the shock. The burn which results can take up to 20 years of regularly repeated plastic surgery to cure—and sometimes the damage is never repaired.

The existing British Standard dates back to 1953—before the big post-war boom in electric fires. Its purpose was simply to prevent clothes from touching the fires. Its main provision was to make a "dress guard" compulsory.

But the dress guard provides little resistance to a determined child or baby. Five years ago the British Standards Institution started planning a standard for a second guard, but immediately ran into the objection from manufacturers that it would be ugly, and lead to a reduction in heat output. More than commercial considerations were involved: nothing would defeat the object of a new Standard more than the near-certainty that many parents would remove the guard to achieve a more attractive and efficient fire.

After a test programme at its Hemel Hempstead centre, the BSI believes the objections have been overcome. The main criterion for new fires will be that a 12mm diameter rod—simulating a child's finger—will not be able to reach the element.

The new fires, when they do appear in the shops, will be easy to spot; they will all carry a label which includes the following statement: "The guard on this appliance conforms to the requirements of BS 1945:1971 and satisfies the Heating Appliances (Fireguards) Regulations 1953."

Catch a rising Star

STAR (GREAT BRITAIN) is an *incredible property company* which has suddenly become credible. Surprisingly for the City, the change has been wrought by upheaval and trauma. Star's guiding genius, Robert Potel, whose ambition was to make Star the biggest property company in Britain, in Europe and, indeed, the world, ended abruptly with his resignation from the board in June. It was not just that the institutions backing the company had grown nervous of never seeing a properly comparable balance sheet between one year and the *next, or that the huge £190* million development programme planned for Britain, North America, France, Belgium, Italy and Australia had run into financing problems. The plain and simple story was that Star's top executives were exhausted.

"We've been stretched beyond our management resources ever *since Robert began his big* expansion programme," said one executive. Ironically, Star was stuffed full with qualified property people after the Second Covent Garden acquisition last year. Yet many of them were under-employed and are now being pruned out. That in itself was a measure of the disorganisa*tion at Star. Then again, there* was the style of management. A man like Potel is more interested in keeping running than looking at the compass. Ambitious developers could come up with ideas which, if they were big enough, got the go-ahead. But it meant that schemes like the Genoa development, a £15 million office *project were poorly controlled.*

David Llewellyn, Star's new chief executive, acknowledges the contribution Potel made. Star's growth after all has been phenomenal. With a property portfolio of less than £10 million three years ago, Star was a midget in the property game. Today, its £400 million gross assets and drastically cutdown *£127 million development programme*, makes it the third largest property company in Britain.

In the course of this development, Star has pioneered a takeover tactic which, astonishingly, has paid off. In simple terms, Star has been willing to pay well over the odds for its acquisitions. The most famous of these was of *course the acquisition of Felix* Fenston's Metropolitan and Provincial Properties in 1969 at 17s 6d a share when Fenston had been prepared to accept *12s 4½d* from Greenhaven Securities. A subsequent revaluation threw up *a 50% surplus which justified* Star's price. But since then the acquisitions of Rodwell, Sentar Investments, 50% of District and Edgware Properties, Bracken Properties, Watney Mann Property, Second Covent Garden, Eagle *Star's 27½% of the Canadian* Trizec Corporation and various smaller groups have meant that Star has paid out a total of £59 million. Of this £22 million was in convertible loan stock, £3 million cash and the rest in shares. Star's equity base has grown from £1.1 million to £14.6 million. The convertible loan *stock will add another £12.8 mil*lion to the equity in 1976-80 and the convertible preference stock another £1.1 million in 1981. After taking interest payments into account, this represents an effective dilution of 80%.

It was this dilution which had *worried many of Star's friends.* In the 1970 accounts, net asset *value is estimated at 45s a share,* but fully diluted this falls to around 31s. The institutions were *concerned to stop Star's furious* acquisitions programme, and David Llewellyn, after nearly four *years of hectic flying around,* has been happy to oblige.

The consequence of this con*solidation phase is that Star's development programme has been* severely curtailed. Early this year, developments scheduled for Britain were estimated to cost *around £100 million*. By the late spring this had been cut to a more realistic £90 million. The final figure, after the review carried out following Potel's resignation, is *£81* million.

The old policy of plunging into development plans and then scratching round for finance has been abandoned. Only £29 million *of the* UK programme, relating to building contracts and expenditure in 1972/73, has still to be financed, and the board is firm that it will not enter into any contracts until satisfactory finance has been arranged. With a greatly *improved liquidity situation arising* from sales of properties—by the end of the year Star should have some £20 million in unused facilities and cash—it can afford not to have to finance its developments via low return leasebacks. *As it happens, only £30 million of the £81 million UK developments* will be so financed, but this *proportion is likely to fall.*

Meanwhile, the £46 million European development pro*gramme is being frozen*, and given the difficulties of raising more than short term finance in Europe, Star's ambitions there have been considerably watered down. But apart from the Genoa project, which could lose Star anything between £½ million and £1 million, the other projects are going well. The £15 million Paris *project in particular is nicely* under way, with the offices currently built already let. The rest *(two-thirds of the project)* will be sold. The profit on sale should leave the first third as a free investment for Star.

The big excitement however is Canada. Since it acquired its 60% control of the Canadian Trizec Corporation, the latter has taken over Cummings and Great West International Equities, making it the largest (gross assets $454 million) real estate company in North America. Canada

Robert Potel: ran too fast

David Llewellyn: new anchor-man

has traditionally been a graveyard for British property companies. But the market there is changing fast. With the new investment law making it pro*hibitively expensive for Canadian* investment institutions to hold more than 10% of their funds outside Canada, the institutions should increasingly turn to property. This is one area they have consistently ignored. When they have bought property, they have done so on an average 10 years purchase of rents, compared with *around* 14 years in Britain. But even without that, the merger of Trizec, Cummings and Great West has created a grouping with a considerably healthier financial base, though the 80% borrowing ratio is still high. With gross assets of $454 million, and net assets of $93 million, its contribution to Star on a full year basis (*in the interim* profit statement for the year ending in March—the financial year *has been extended to October to* put all the companies in the group on a common basis) is expected to be around £3.2 million. This should rise to £3.4 million for the October year end.

So for the group as a whole the interim profit for the year ending in March should be around £4.5 million. As Trizec's tax liability is minimal—Canadian depreciation rules mean that it will not pay any significant tax for a good many years—most of this will rather through to earnings of around £3 million. This estimate is in fact rather higher than the estimate produced by Sebag's bullish circular on *Star. Sebag* estimates that the March interim earnings to be declared next month will turn out to be around £2.3 million, but that this should rise to around £3.3 million in October. Other property sources close to the company, though, feel that this is on the low side.

The point is that Star has at last got around to *the job of* improving its property contracts rather than just going for growth. Reversions and rent reviews should bring in £600,000 or more a year until 1975 and 1976 when the figure should jump to £1.5 million, subsequently falling back to £600,000. Lee House, for example, is currently let at under *175p* a sq ft. In 1976, two-thirds of the leases come up for renewal and should command at least £8.

Star's historic P/E of 40 at 215p is now completely obsolete. On my estimate of £3 million *earnings, the rating* would be 21, or 32 fully diluted. On Sebag's estimate for the March interim, earnings per share of 7.8p would put the P/E at 27. With net assets of 238p per share at end 1970 balance sheet dates, the share still looks remarkably cheap.

Aziz Khan-Panni

Into Dunlop-Pirelli—via Italy

PIRELLI is one of only a handful of Italian companies which are well known outside Italy. Although it is controlled by one of Italy's powerful industrial aristocracies—the Pirellis headed by 46-year-old Leopold Pirelli—it has built an unusually strong international business for its tyres, rubber products and cables. The Pirelli *family*, *early on*, put all their non-EEC interests into a separate quoted Swiss company. Then a year ago the family struck a deal with British competitor Dunlop to swap up to 49% shares in each other in a multinational merger. This has created Europe's largest tyre company with about a quarter of *the market, and the third largest* rubber company in the world after Goodyear and Firestone, with combined sales of about £950 million in 1970.

The prospects for this union have not done either the Dunlop or Pirelli share prices much good, and Pirelli remains depressed. There are good reasons particu*larly on the Italian side*, for this. Italian shares are not attractive to investors even in Italy. There *the mentality is totally different.* To deal in stocks and shares, *giocare*, means to speculate or gamble. The Milan stock exchange, 80% of all share transactions, lists only 130 companies, and prices have been in almost continuous decline for the past 18 months. Confidence was recently rocked further by a stockbroker fraud in Venice. *It is not* an accident that this first Italian Euroshare should be written in the *middle* of the annual three-week closure of the Milan exchange.

Pirelli revolves around three quoted companies. The family shareholding company Pirelli & Co. (Pirellina on the stockmarket) *which has* big stakes *in* Italian companies like Montedison, plus 7.2% of Pirelli SpA (Pirellona) *and 18% of the Swiss Société* Internationale Pirelli of Basle (which itself owns 12% of Pirelli SpA). *As if this were not com*plicated enough the Dunlop-Pirelli linkage shown in the diagram has *substantially shifted* the sources of earnings for all the companies concerned.

No accounts on the new basis have been released, and the situation is complicated by a [illegible] in Pirelli's accounting to [illegible] Dunlop. This showed that [illegible] Pirelli would have cont[illegible] £6.2 million (Dunlop £9.3 m[illegible]) against a £1.55 million los[illegible] ally revealed to Pirelli SpA [illegible] holders, who got no di[illegible] Pirelli will go back to [illegible] conservative accounting in [illegible] *shareholders reports.*

Pirelli and Dunlop both [illegible] losses at home in 1970, [illegible] strikes, but this was off[illegible] large overseas earnings. [illegible] SpA actually managed a [illegible] profit and paid a dividen[illegible] reserves. Dunlop however [illegible] to be recovering fastest a[illegible] don brokers Williams d[illegible] estimate that for 1971 [illegible] will concede £3.9 million [illegible] to Pirelli in return for [illegible] *million from Pirelli. Long*[illegible] however Pirelli has perha[illegible] better growth prospects, [illegible] has been investing heavily [illegible] tyre factories over the pa[illegible] years.

James [illegible]

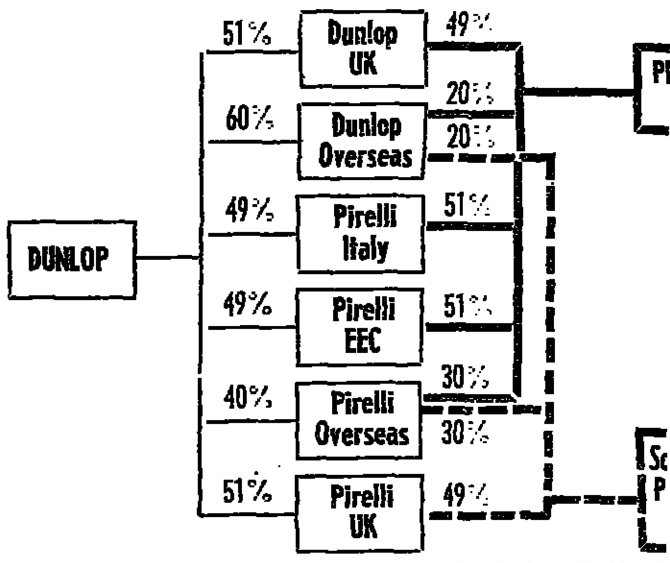
EUROSHARE

PIRELLI SPA

Price: L226 (£1.49); Dividend: L110; Yield gross: 5.0%; Market capitalisation: £101 million; Number employed: 40,000; 1970 non-consolidated profit: £0.4 million; Sales: £215 million (1970 est.).

SOC INTERNATIONALE PIRELLI SA

Price: S.Fr220 (£22.4); Dividend: S.Fr12; Gross yield: 5.5%; Market capitalisation: £34.6 million; Number employed: 31,000; Sales: £195 million (1970 est.); Dollar premium: 22¼%.



iness news City, investment, money

/atney terms revealed

)NE major City estab- group publicly implies her might have been a ınderhand dealings, feel- become very bitter. The has not developed yet, akeover Panel's decision gate the share dealings Watney's share price :p to 128p last week, s the suspicions that n growing about this ıary affair over the last

nt is that Watney's new :rength has raised the its last published offer ıns from 431p to 451p. ıares with Grand Met's d of 441p and Truman's 52p. Meanwhile Watney a new and still "secret" ch the Truman board :onsidering since Thurs- terms of that offer are, s follows: for every 10 ıares, 15 Watney shares bid, plus £11 nominal e loan stock with an pon, and 11 shares in ınal Distillers and Vint- ı equivalent alternative IDV's capital gains tax probably in promissory s would raise Watney's 73p.

atney's board and their Guinness Mahon, say welcome the Panel's It would, if nothing ıle Truman's merchant o its sums without the ons of a false market d with Truman's board sting of a majority of pro-Watney directors, the resignation of Sir Buxton at the annual eeting on Thursday, the 'eaction to the secret st indicate that it may be reconsidering its opposition to Watney. Significantly, the recommendation for Grand Met's bid has been withdrawn.

Meanwhile all the candidates canvassed for Watney, ranging from Grand Met itself to British American Tobacco, Bass Charrington, the American Schlitz and the Danish Carlsberg, have denied involvement. One theory is that the "several million" Watney shares traded in the market (the deals the Panel is looking at) were in fact the same shares being recycled within a circle of friends. All good for Watney's share price, especially if it brings in the speculators. And, of course, that is how things have worked out. There is no shortage of gamblers on a bid for Watney. If that is too cynical, it is only so in the context of a feverish market too willing to find bidders under every bed. For Charles Villiers, chairman of Guinness Mahon, the Panel's verdict should be a welcome reassurance.

Sears drags its heel

SEARS HOLDINGS, Charles Clore's strange amalgam of shoes, stores and engineering, has come tumbling down from 175p to 164p since the start of the month. This is the first big break in one of the market's most spectacular recent success curves.

The question now is whether there are more bearish signals about Sears. Engineering earned 23% of Sears' profits in 1970-71 and since 1966-67 its compound growth rate has out-stripped other divisions of the Clore empire, at 13.3%. The Bentley group earned the bulk of the growth and profit in engineering, with its automatic knitting machines. Now, Bentley is sounding cautious notes, warning that replacement will soon be a more important part of the business; demand stays high, but customers are coming close to having satisfied their needs. William Cotton, in the Bentley group, has already laid off 400 workers in nine months, which suggests that the profit fall between 1968 and 1970 —£1.58 million to £641,000—may have continued.

The hotel above Selfridges department store, a seeming bonanza for the group, is likely to earn no more than £250,000 or £300,000 pre-tax. That is around 1% of the group's profits, and no reason to get excited.

What comes out of this bearish argument is that Sears is slackening—and could be tempted to use its paper on the acquisition trail. Although any boost to consumer spending will help Sears all round, including the footwear division which earned 46% of its profits in the last accounting year, it is doubtful if the group will get back now on the real growth path.

Abercom moves in

ABERCOM, the South African take-over specialist, which picked up a London stockmarket quotation at the end of last year, is preparing to use it, as it promised, for take-overs here. David Lurie, the acquisition seeker, is setting up a semi-permanent base in London, leaving partner Murray McLean managing the specialist clutch of South African engineering companies the group has acquired in its meteoric career.

The London base is a logical development given the depressed state of South African industry. There are only some 750 quoted companies on the Johannesburg stock exchange and Abercom has ploughed through what is available of those. It has also worked thin the seam of private companies it could buy, like the Flekser steel group deal clinched last week for £500,000. Its next acquisitions will probably come from among the many UK companies that have South African subsidiaries.

The results for the year ended in June are expected in a month's time. The prospectus forecast earnings of 28c a share and this has almost certainly been beaten comfortably, with earnings of up to 30c a share. The shares since the introduction have risen from 150p to 180p now, where they are selling on a P/E of around 10, a low risk for the potential they offer.

Charles Villiers: waiting for the verdict

The all-computerised money maker

REAL MONEY - MAKERS are rare. But when Albert Gubay brought Kwik Save Discount to the market last December he may well have taken on the investment hopes Tesco's Sir Jack Cohen used to attract. Since 1961 sales have risen from £253,000 to £11 million, profits from £13,000 to £643,000 last year. For the year ending this August he has forecast profits of £900,000, and should do better than £1 million.

Kwik Save is now a chain of 29 discount stores where low prices, fast turnover and a ruthless attention to detail and efficiency have brought shoppers from all over Wales and Lancashire literally queueing at its doors. The method is basic. Stores are virtually small warehouses in which goods are sold direct from their outer cases. The number of lines (around 800) are limited to the top one or two brand names, with the shopgirls trained to memorise prices in just 25 price slots. Everything is geared to fast throughput. The tills, for example, come from Germany, and do multiple items at the press of a button rather than multiple pressings. The layout of the exits minimises the patient lines of waiting shoppers.

Stock control is entirely computerised. All that a manager needs to do is to list out the number of cases in each of his

TIME TO BUY

Kwik Save Discount

Buying price: 199p
1971 high: 199p; low: 118½p
P/E ratio: 17.2
Latest profit: £643,000

lines. The computer does the rest. Daily deliveries are serviced from a 133,000 sq ft central warehouse which, in fact, is capable of handling twice the £15 million turnover expected this year. With no pricing decisions to make, no layout problems to contend with, no ordering problems, the store managers do not need to be the highly trained staff other supermarket chains are so frightened of losing.

Meat, fruit and vegetables are franchised out, but the fees are based on Kwik Save's own sales rather than their own. It minimises arguments and keeps the concessionaire on his toes. As a result, Kwik Save's labour costs are just 3% of turnover, which compares with Tesco's 8%. With a wastage rate less than a third that of the industry, and low prices which compete with wholesale cash and carry stores, Gubay can still produce margins for the company of around 7%.

Meanwhile, a vigorous expansion policy is in hand, with around nine stores in the pipeline, and new stores opening at the rate of six a year. Gubay says that demand is so enormous that even at his rate of expansion he is just skimming the surface of the market. With £15 million in the bag for the year ending August 1971, he expects turnover to be up to around £22-£23 million next year with pre-tax profits up from £1 million to around £1½ million. The shares have risen strongly since they were launched last December, from 107½p to 199p last week. On 1971's earnings, the P/E is 25, not obviously cheap. But like Tesco in its fast growing days, it will probably never be cheap. On Gubay's estimate for 1972, the multiple would fall to 16½. I would back it strongly.

Aziz Khan-Panni

How they make money on a £12m fund 42

...res for the gold game

...Y CRISES breed gold ...ooms—in theory. Al...ld shares spurted when ...ch began the dollar ...ing banks 10 days ago ...ept dollars unless con...ey were for "commer...ansactions, so many peared that The Times ıg index is actually two ver than it was at the of the month. True, of the metal itself is ınd $43.50, but even the ...nance of a dollar de...to $50 an ounce would gold shares particularly nother point is that rica's inflation is bad discourage the Govern...m importing further ...ough extensive gold that would be a damp...igher output.

...prices do reach $50, in...ts in the mines would ...l. So upgrading of min... might come. But the generally pricy now, after rises at the start ...onth. Even West Rand t Trust, up 35p the ...re last, were last week 847p, falling back 13p. ...l gains would need ...; and the market may ... that President Nixon loathe to devalue just as a Presidential election campaign begins to hot up.

But if you want to play the currency game, go for stocks like Union Corporation (at 199p); its Evander Mines have vast reserves of low-grade ore and would stand to gain spectacularly if the gold price goes on rising. Union also has a base broad enough to avoid the worst inflation problems. Or buy Rand Selection, with 40% of its income from gold. Buy into medium-grade mines—the very profitable ones have only marginal gains to make from price rises, and some of the low-grade ones would merely lose Government assistance if they were to come into profit.

Last week's favourites in London, heavily hedged by cautionary talk, were Kloof, up a trifling 2p on the week and yielding 1.7% on its maiden dividend; East Driefontein; St Helena, likely to boost dividends in September; Doornfontein, an American favourite which should rise when laggardly American buyers come into London; West Driefontein, Southvaal and Winkelhaak. The catch is that only the solid mines are good buys—the market is not yet over-excited by the dollar scare. And dreams of a doubled free-market gold price are not enough to make for wild action on the gold front.

...il: a £5 bid from Beecham?

...KETMETER

...hareholders' attention d to Beechams he two existing rival e rested their cards on Rowntree sticks to its backed by the Bovril ...nham has now gone nominal 483p, and has n the shares it is 90p to provide a 460½p ...tive for every Bovril ...eholders who want stodgy Rowntree nor al Cavenham (see "The Goldsmith," Page 41) n the market. ...vas able to buy an extra ...il at 474p on Friday, take to just under a ...obody else was buying ...ham's Jimmy Goldsmith, have to go on to through the market d eat up more than the ...otal Cavenham cash. ...ts hope that he will be embarrassment by a d worth a magic 500p v that Beecham's own proved so strong.

...pulled off the remark...-quarter profits rise ...h interests that I ...st week. The company ...way towards the prospect of earnings ...her at £100 million The London market ...t only rose 20p to ...'E of 17. The cynical s (see Fleming's Page 42) think that this ...igh for an international share.

...has returned with a ...p after languishing ...ier in the week. Three ...ers have been soaking ...Usual candidates. ...ssel deny involvement.

Ralli is hunting something else anyway. But Dalgety's June year-end results, expected next month, should be disastrous. If a bid were to be made, that would be the time.

● *London* share prices had a good week, encouraged by the upturn on Wall Street and excellent trade figures. Despite the dollar crisis, gilts were firm at the week's end, with the shorts in demand. Bids, building shares, motor components and financials helped the market raise. The Times index 4.07 to 163.43.

● *Norvic Shoe beat its forecast* comfortably with £547,000 pre-tax, which, after a nominal tax charge makes a net attributable figure of £445,000. So shareholders are being advised not to accept Drakes' offer. But it is interesting that no forecast is being made for the current year. Meanwhile Drakes has been buying in the market and has over 30% of the company. Its last average price paid was 63½p against Norvic's 62½p.

● **Burmah Oil**—up 22p to 450p—was indirectly in the centre of a week of speculation and rumour in oil. The subsidiary Anglo Ecuadorian Oil has struck some oil in the Oriente field, in which the AE stake has just been reduced from one third to one sixth. Anglo Ecuadorian is up 12p on the week but it was only knowledgeable US selling which cut back the rise from 95p to 75p. On the other side of the Pacific Burmah is attempting to take control of its unruly interests in Woodside Lake and Mideastern Oil. But the bid has taken the excitement out of the share prices. Elsewhere Ultramar's profits were as good as hoped and the shares are up 16p at 284p. With the Quebec refinery opening (but who said operating?) on October 1 after months of delay, the speculative element has gone from the Ultramar share price.

PA Management Consultants Ltd

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The identity of candidates will not be revealed to our clients without prior permission given during a confidential discussion. Please send brief career details, quoting the reference number to the above address, or write for an application form, and advise us if you have recently made any other application.

Managing Director

Yarn Spinning

£5,000+

An attractive opportunity exists for a marketing oriented executive with yarn spinning experience to assume complete responsibility for the profitable operation of a medium sized modern spinning mill. The mill, established some years ago to produce fancy worsted yarns, is part of a large diversified group and enjoys a high reputation for quality. It employs a mixed labour force of approximately 100. The Managing Director, who will report to a non-executive board, will have a free hand in securing the future growth of the venture. Applicants, who must have extensive spinning experience, will show *evidence of achievement at senior executive* level, particularly in marketing. A salary in excess of £5,000 p.a. is envisaged, plus unusually attractive fringe benefits including car, and profit participation. (Ref: GM39-4294-ST)

Marketing Manager

Up to £6,000

One of Britain's leading companies in the holiday and leisure industry is creating the post of Marketing Manager. Reporting directly to the Chairman, he will be responsible for advertising, public relations, the travel agency network and marketing research. He will also contribute significantly to corporate strategy in the areas of sales forecasting, pricing and new service development. Candidates, aged 35 to 45, should have considerable experience and success in the marketing of products or services with a mass consumer *appeal and must be accustomed to allocating substantial advertising appropriations.* Starting salary will be negotiated up to £6,000 and a car is provided. Advancement to the Board is anticipated in one to two years. Location Central London. (Ref: SM34/4295/ST)

Technical Director

Trade Moulding

A well-established and very profitable company employing 200 produces compression and injection *mouldings as components for a diverse range of industries. It is noted for its high quality precision* work and efficient customer service. The Director now required will be responsible for controlling and developing all aspects of manufacturing. His responsibilities will include production engineering, production control, purchasing and quality control. In addition the commercially vital estimating function reports to him. He will report to the Managing Director and as a member of the Board he will play his part in formulating company policy. Candidates, aged 35-45, should be qualified engineers with several years' plastics production management experience of injection and compression trade moulding. Location is west of London. Salary is negotiable around £4,500 plus car. (Ref: TE38/4293/ST)

Head of Development

Pharmaceutical Formulation

The company ranks high in the list of international pharmaceutical companies both for size and good reputation. Recent changes have created a vacancy for a Head of Pharmaceutical Formulation who will be responsible for a young and enthusiastic team covering formulations, biological testing and process development. Candidates must be pharmacists with a good honours degree—a Ph.D. is an added advantage—who have wide experience in the development of pharmaceutical formulations in industry. They will have already managed a similar Research and Development function and have a good knowledge of modern production processes. *The man appointed must have a strong personality since it is intended that he should be a contender for promotion in the foreseeable future.* For this reason also the right age range is probably 35-45. An initial salary will probably be negotiated between £4,000 and £4,500: for *the outstanding candidate it could be well in excess of this range.* (Ref: GM27/3213/ST)

Product Manager

Cosmetics

£3,750

A woman is required to organise new product planning, packaging development, advertising and market research for cosmetics and beauty products. The post is in the international division of one of the major cosmetics manufacturers. A key role will be liaison at the highest level with the group's overseas marketing *companies particularly on new products and their appropriate market positioning. Much of the work* complements rather than replaces that of regional executives, with an emphasis on the need to take a global view of the division's international requirements. Candidates will probably be in their twenties or thirties with several years multi-product marketing experience in a sophisticated marketing operation with fast moving consumer goods. The post is based in central London, there will be some overseas travel, and the initial salary is negotiable up to £3,750. As there is some urgency in making this appointment interested candidates should telephone 01-235 6060 for an application form. (Ref: W30/4296/ST)

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The Financial Analysis Section is involved in the monitoring and analysis of both associated and wholly owned companies. Capital and Profit Plan Budgets, the economic evaluation of new capital projects and subsequent analysis of performance, and the maintenance of control procedures are all the specific *responsibility of this Section.*

Applicants should be graduates aged 24-30 with either a post-graduate qualification in business studies or chartered accountancy. If a chartered accountant, the applicant should have had some experience in investigations or other areas of financial analysis. A knowledge of Spanish would be desirable but not essential. It is anticipated that the initial appointment would be for a period of about two years. Opportunities would then occur for transfer within the Gulf Organisation.

Salary will be in excess of £3,000 plus appropriate foreign allowances.

Please write in the first instance to:

C. M. Bloodworth,
Appointments Supervisor,
GULF OIL COMPANY—Eastern Hemisphere,
2 Portman Street,
London W1H OAN.

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—up to £4,500 p.a.

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The Financial Controller will be responsible to the Joint Managing Director (Finance) for the control and co-ordination of all accountancy activities (financial, budgetary and cost). *He will produce management information and* take positive steps to investigate and take action where required. As part of the management team he will be expected to contribute to the growth of the Company.

It is essential to be qualified (C.A., C.W.A., C.I.S.) and to have had financial management experience in a large complex commercial operation. He must have the ability to lead a team, work to schedule and be able to *advise and guide management on all financial* and cost matters. A knowledge of computer techniques would be desirable. Preferred age: 30-35.

Nothing will be disclosed to our client without permission from candidates. Please write, quoting Reference Number 4890 *to:*

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and at 46 St. James's Place, London S.W.1.

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Application forms, available from the Secretary, Civil Service Commission, Clarendon House, Adelaide Street, Belfast BT2 8ND (Tel. 27963 Ext. 26) should be returned by 31st August, 1971.

Please quote SB139/71/46.

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Qualified accountants aged 27 or over are invited to apply for positions on the internal audit staff of a large American corporation. The positions call for very extensive world-wide travel and are only suitable for single men.

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Applications in own handwriting stating age, whether single, qualifications, experience and present salary, should be addressed to Box AP471, Sunday Times.

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The Bank of California NA, San Francisco is establishing a branch in the City of London, and wishes to recruit a Manager – Operations, who will report to the Branch Manager and be responsible for administrating the day to day operations of the branch.

The successful candidate should offer sound accounting experience which should have been acquired in the field of international banking. In addition he should be able to demonstrate familiarity with all aspects of international bank operations including foreign exchange and be capable of managing and controlling staff.

Interested candidates are invited to write for a personal history form to Price Waterhouse Associates, 31/41 Worship Street, London EC2A 2HD, quoting reference MCS/1533.

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Divisional accountants are required to be based in the Midlands and London. Suitable candidates will be qualified accountants with industrial experience preferably in the construction industry. These appointments will involve some travel and some nights away from home.

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Box No. replies should be addressed to THE SUNDAY TIMES, Thomson House, 200 Gray's Inn Road, London, WC1, unless otherwise stated. No original testimonials, references or money should be enclosed.

Tests not perfect—but interviews are wors

Thomas Hickman's inquiry into personality tests in the Get Ahead series, and his subsequent article on how job candidates can beat the tests, have produced a brisk correspondence from academics, management consultants, company personnel chiefs and others. Here we print some of their comments.

GET AHEAD

AS MEMBERS of a research unit working in the selection and training field, we are concerned to read Thomas Hickman's misleading article on the use of personality tests in selection. The apparent inconsistencies which he reports stem largely from his failure to understand the principles underlying the use of tests for this purpose.

Many of the criticisms levelled at the use of tests would be justified if selectors attempted intuitively to predict an individual's success in a job from his test scores. However, in our experience, almost all organisations who administer tests to job candidates do so solely in the hope of discovering a useful statistical relationship between test scores and subsequent job performance. (Hence the desirability of hiring those who fail a test as well as those who pass).

Unless a statistically significant relationship is demonstrated to exist between scores on a particular test and success in a particular kind of job, the test concerned can offer no objective basis for selection decisions. This point is stressed in every elementary text book of applied psychology, and we find that professionals in the selection field regard it as an article of faith.

At the same time, it must be *conceded that significant* correlations have rarely been found where personality test scores are concerned, and this is the reason for the refusal of the National Institute for Industrial Psychology to accept them as useful in selection at present. This does not mean that personality tests cannot prove useful at all.

If a test has been systematically validated with respect to a particular job, and is administered in a consistent manner, the only criticism which can justifiably be made of its use in selec*tion is that it may constitute an* invasion of privacy. But invasion of privacy is a *sine qua non* of the selection process. If it is accepted that selection is necessary, then the assessment of individual differences is unavoidable. The alternative is the unhappiness and inefficiency which result from people being placed in jobs to which they are unsuited.

We would argue that a more appropriate target for Mr Hickman would be those organisations *which are not concerned to seek* improvements upon traditional selection techniques, such as the interview, repeatedly demonstrated to be lacking in both reliability and validity.

C K Elliott, G A Randell, M D Still, D Taylor, M Whitelaw
University of Bradford

Why bother?

THOMAS HICKMAN has exposed many of the weaknesses of using psychological tests for employment and promotion. The main objection, however, is that there is a perfectly valid, ethical and easily taught alternative.

The Boris Gussman Associates believe, and our experience over a number of years has borne this out, *that what a man is and how* he is going to behave in the future, is revealed with a high degree of certainty by what he has done and what he has been in the past. The skilled interviewer can establish all this and more.

Once the interviewee realises that he is engaged in an interesting conversation and not being subjected to an interrogation the problem is to get him to stop his revelations. Carefully guided through his various past experiences and attitudes he will reveal as much information as any reasonable employer has a right to know.

The interpretation of this material requires the same high degree of skill as does the conduct of the interview itself.

Boris Gussman
Managing Partner, The Boris Gussman Associates, SW1

Test secrecy

From the Appointments Manager, Standard Telephones and Cables, Ltd

MR HICKMAN is misleadingly brief in one of his statements about STC's use of tests, and incorrect on another point.

He says that STC makes the results of its tests available to managers outside its personnel department, and that the National Institute for Industrial Psychology deplores this practice. It *is* in fact *STC's practice to tell* candidates, in private, about their own test results—so that they *can comment* on them, or indicate where they disagree with the conclusions. No one else outside STC has access to the test scores.

The personnel departments do, *of course*, discuss candidates' tests results with the line managers in whose depa… the vacancies exist. Ho… could test results affect s… decisions? I understand fr… NIIP that they do not … this practice, provided th… managers concerned und… *the test procedures. In ST…* understanding is an a… element of management t…

His attack on our use … jective techniques such … Rorschach is undeserved. … explained to him when h… viewed me, we use an obj… scored version of this tes…

I am left with a questio… own. Mr *Hickman* is … against the use of bad pro… for matching people to jo… *they will enjoy and do w…* But which of the remainin… natives is he advocating, g… cedures, or no procedures…

John D Ha…

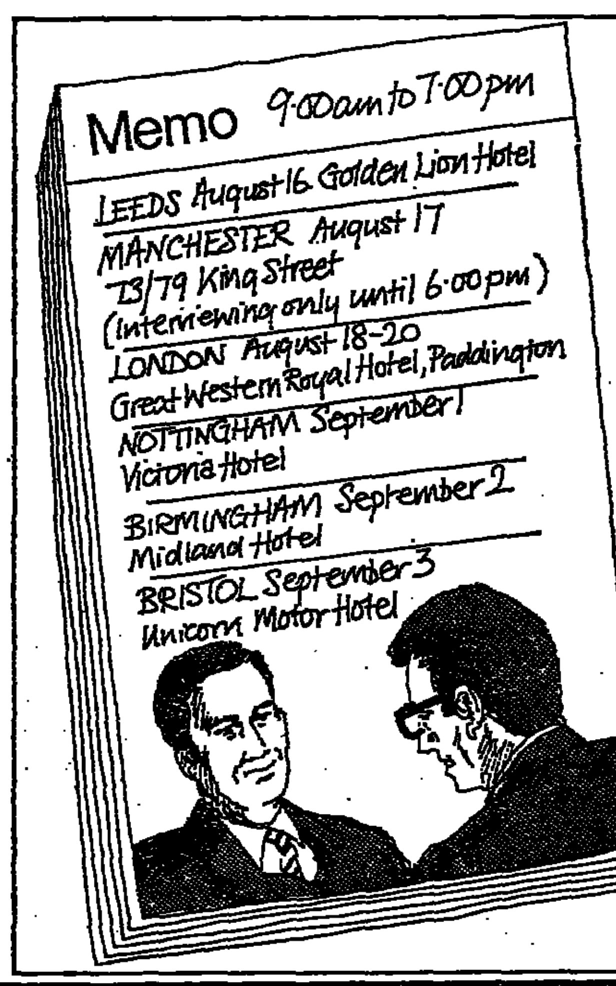
Not bingo

MR HICKMAN'S approach … to suggest that getting a … *some form of bingo.* Ce… this is not the case with re… employers or responsible … dates. If a man disto… information that he give… company he is harming … as much as the employer.

Getting into a job b… form of deception is not … advantage of the man con… *After* he has got throu… stage he has then to … results when actually per… *the* job. If his *skills, per…* and experience are wron… likely to find himself out … again within a short peri… addition, he will have c… employer money and w… good deal of time.

In both his articles Mr H… seems to assume that per… inventories are given in is… *In practice, this is not th…* any responsible selector … personality inventories as … a broader selection prog… Occupational psychologis… scarcely naive about the … personality inventories and … their limitations.

(Dr) J …
Londo…



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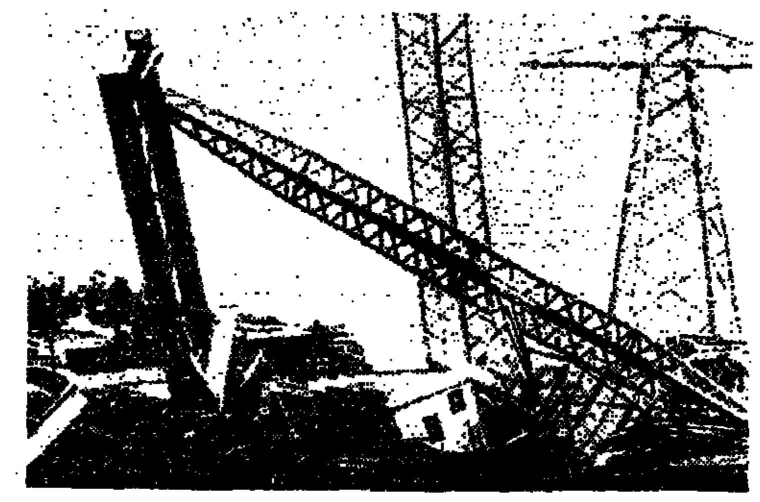
THE FULL Royal Commission report on the Yarra Bridge in Australia which collapsed last year killing 35 workmen, has yet to be published. But a copy has come into the hands of TONY DAWE, and here he lays bare the incredible bungling and backbiting and the pettiness among senior engineers that seem at times like a work of fiction, but which led, inexorably, to disaster.



The collapsed bridge, same design as UK motorway bridges

Peter Trievnor

Sir Ralph Freeman (left) and Dr O. Kerensky, the censured senior partners of Freeman Fox

Why 35 men died on the Yarra Bridge

A NORMAL, depressing winter's day just over a year ago as work progressed on one of the world's largest bridges, across the River Yarra near Melbourne, Australia: English and Australian engineers were squabbling with each other and the workers were threatening to strike.

They held a series of union meetings and work was delayed on erecting the next section of the box girder bridge. By the end of the day, the section was still not completed and the partially erected box had to be safely secured before leaving it.

Jack Hindshaw, resident engineer for the designers, the London firm Freeman Fox and Partners, and the man in charge on the site, met with a senior engineer from the contractors, a man called T. V. Burbury, to discuss what to do. Burbury had an idea, but Hindshaw refused to accept it. Burbury argued his point for about a quarter of an hour, but, seeing he was getting nowhere, said: "Just tell me—and we will do it whichever way you instruct."

Hindshaw immediately replied: "Very well, do it whichever way you please"—and he stalked off the bridge, leaving Burbury to work out a solution.

It was typical of the continual, often trivial, disputes between the men in charge on the bridge, says the full 272-page report of the Royal Commission which investigated the collapse of the bridge, killing 35 men, on October 15 last year. The report severely censures Freeman Fox and Partners, reputedly among the world leaders in bridge design, for poor design calculations and inefficient administration. Some blame is attached to every other organisation involved in the project, including the unions but excepting the suppliers of the materials.

The report says: "The events which led to the disaster moved with the inevitability of a Greek tragedy." The reluctant hero of the tragedy is Jack Hindshaw.

Some may say Jack Hindshaw is unfairly crucified by the report. But, with the amazing detail it has unearthed, it serves as warning to other engineers—with a project worth millions of pounds and the lives of hundreds of men in their care—that they can now be publicly accountable for their every action.

Life was difficult for Hindshaw from the moment he set foot in Australia early last year. The Lower Yarra Crossing Authority, a private concern formed to pay for and supervise the construction of the bridge, was concerned about some of Freeman Fox and Partners' calculations and by the refusal of the firm's London headquarters to answer reasonable queries.

"Little experience"

Relations became so strained that Wilson, the authority's general manager, threatened to sack Freeman Fox and Partners and sue them unless a more senior engineer was sent out. The authority got Jack Hindshaw.

Hindshaw had served with the Royal Engineers during the war, worked for 14 years with the steel company, Dorman Long, on Teesside and been among other things senior assistant bridge engineer to Lancashire County Council. But the Royal Commission says: "He appears to have had little experience on site on the erection of any major steel bridge." He was 48.

His firm's normal working agreement was that virtually all responsibility during construction should rest with the contractor. But the contract was just being switched to John Holland (Constructions). Holland's expertise, however, lay more with concrete than steel and the company refused to take responsibility for engineering decisions.

Hindshaw was bewildered to find himself with unexpected responsibility and his bewilderment showed in his communications with his London office. He decided the safest thing to do was to insist on Holland following in exact detail the rule book drawn up for the construction work. But he had moments of doubt and his attitude would vary from attempted dictation to the Holland men to a complete rejection of responsibility.

His office was on the East side of the bridge and he seldom visited the West side, where the disaster occurred. The commission says there is evidence that on one occasion seven weeks elapsed without Hindshaw visiting the West side and even then, according to a diary kept by one Holland engineer, he "got no further than the office."

The question of exactly who held major responsibility among the consultants further confused the situation for the Holland people. The result was that chaos began to prevail on the West side of the bridge. Hindshaw admitted in his diary that the situation was getting out of hand.

The Commission's report sums up the position: "Morale was bad and the direction and organisation was largely ineffective."

IT WAS AGAINST this background of mistrust, dislike and jealousy among the men in charge that work began on the fatal section of the bridge, between piers 10 and 11 on the West side.

And if the personal animosities were not enough, serious difficulties had been encountered with the parallel section of the bridge, on the East side.

The problems didn't appear to lead to any serious reconsideration of the construction methods which should be used on the West side. As it was, World Services and Constructions, the original contractors, had opted for the most complicated way possible.

They were joining the boxes together on the ground to form two long sections, which they then hoisted into the air and joined together to complete the span. But World Services was worried that the boxes would react differently to extreme temperatures when they were on the ground from when they were in the air. So it introduced a series of hydraulic jacks connected to a common pressure line to keep the boxes "floating." When Holland took over the assembly of the boxes after World Services had been sacked—it apparently didn't understand the logic behind the floating system.

The surface of the bridge reaches its highest point in the centre of the structure so span 10-11 should curve slightly upwards. The floating system would help ensure that the curve of the two sections of span 10-11 matched up properly. In fact calculations have shown that Holland's incorrect use of the system could have created a gap of up to 16in between the sections.

The Holland engineers failed to take adequate steps to ensure the gap was within acceptable limits. And perhaps because of his growing frustration with Holland personnel, Jack Hindshaw didn't insist on a check. In a report to London, he wrote of the Holland people: "You can't tell them anything. One of these days they will drop a box or something."

So the extent of the gap was only discovered when the two sections were raised into the air. Holland had in fact been lucky: the gap was only 4½in.

The Holland men quickly came up with a solution. There just happened to be 10 concrete blocks, each weighing eight tons, on the site from a previous job, and it was suggested that if they were placed on top of one section they would force it down in line with the other.

Raising the concrete blocks started on Tuesday, September 1 last year. It proved a bad week for Hindshaw.

On the Thursday he had a meeting with Wilson, the general manager of the bridge authority. Wilson was gravely dissatisfied with strengthening work being done on the bridge following the collapse of a similar type of bridge at Milford Haven in June. He abhorred Freeman Fox's attitude and lashed out at Hindshaw, the only man in Melbourne to whom he could voice his anger. He even expressed doubts about the safety of the bridge.

By the following Monday, Hindshaw must have started to share those doubts. For it was discovered that a major buckle had developed in the centre of one of the sections.

Hindshaw did not appear unduly worried by the buckle and was confident that the techniques used to solve the similar problem on the parallel span on the East side of the bridge could be adopted again. He was determined to do something before Wilson should discover the buckle and attack him yet again.

Not worried by buckle

Hindshaw decided the best solution was again to remove a series of bolts, taking them out six or eight at a time and checking the reaction before removing more. The idea was to alter the stresses in the structure and so straighten out the buckle. But the Commission says a rudimentary assessment by anyone familiar with stress analysis would have recognised the danger of unbolting.

Work started at about 8.30 a.m. on October 15 and nearly 40 bolts had been removed—with some difficulty—when the buckle suddenly spread out across the entire section. People on the bridge say they felt a slight settlement of the section and it appears that it was now being supported by the other section—something for which the other section had never been designed.

Nobody realised that had happened, but a sense of urgency developed and more men were fetched to try and get the bolts back into place quickly. Jack Hindshaw was called over from the other side of the bridge and he arrived at about 11.30.

He recognised the potentially dangerous situation and telephoned World Services' senior representative in Melbourne, Mr G. Hardenberg, for advice. Hardenberg says he had the impression that Hindshaw was thinking aloud: "Shall I get the bods off?"

For Jack Hindshaw, the nightmare which had begun the moment he set foot on Australian soil had reached its inevitable climax. But he seemed to accept it, for Hardenberg reports there was no sense of panic or even urgency in his voice.

Hindshaw replaced the telephone and went straight back on to the bridge. Seconds later, span 10-11 collapsed. Hindshaw suffered multiple injuries and died in hospital that afternoon.

ECONOMETER

£700 million in the black

● STERLING reached its highest quotation last Friday since the 1967 devaluation — \$2.4198-\$2.4200. Gold was fixed in London at \$43 an ounce.

● A TRADE SURPLUS of £43 million was announced for July. The three-month moving average (the average for the latest three months) is now £36 million, the best such outturn since removal of the import surcharge at the end of 1966 produced a fluke £38 million average surplus. The result for July alone was due to stagnant imports rather than rising exports. For the three-months, there was a rise in exports, probably reflecting backlogs of orders and shipments after the strike-bound first quarter.

The average balance on merchandise trade for the first seven months of 1971 is now a surplus of £8 million a month, which makes a change from the traditional deficit. It also makes the current account payments surplus an annual rate of £700 million. This is not expected to be sustained in the fourth quarter, however.

● RETAIL SALES in the second quarter, by volume, showed the expected recovery from the strike-hit first quarter; but the June figure was the lowest of the three months, with the result that even counting the rebound from the postal strike, the second quarter volume was only the same as that 12 months before.

● INDUSTRIAL PRODUCTION figures show an increase in June, as well as an upward revision of the May figures. The second quarter as a whole is 126.5, as against 124.6 for the last quarter of 1970. This belies the impression most other data give of an absolute decline in the first half-year. Unless the more depressed-looking data on expenditure are wrong, stocks must have absorbed much of the increase in the second quarter.

Miss R Ganson

MISS R. GANSON of Upper Clyde Shipbuilders, Clydebank Division, asks us to make clear that she was not responsible for a remark attributed to the managing director's secretary in our report on UCS on August 1. It was in fact made by another member of the staff.

Company Meeting Reports appear on pages 37, 41, 42 & 43.

AIC EXECUTIVE SELECTION DIVISION

MANAGING DIRECTOR

for a progressive manufacturing Company producing process equipment and machinery for the process industry. The Company is currently profitable and intends to remain so. The Managing Director will take over a newly structured management team and will be wholly responsible to the Chairman for the overall direction of the Company's sales, marketing, production and engineering activities. He will be totally accountable for the Company's continuing growth and profitability. Candidates, preferably with an engineering background gained in a process machinery manufacturing environment, must have successful line management experience either as General Manager or Commercial Manager. They must be profit orientated. *Salary by negotiation.*

Reference: 30672/TS (R. E. Wheeler)

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(M.D. Designate)

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Reference: 30675 TS (C. J. Duncan)

All replies will be treated in strict confidence and should be sent to the consultant named quoting the reference number.

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Wheatsheaf Distribution and Trading Limited is seeking a Computer Operations Manager for its IBM 360/40 installation at Coventry. The disk based computer system, which is also used by other companies in the Group, is engaged in all aspects of food distribution for 144 hours per week on a shift system.

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The appointment is part of a re-structuring programme in preparation for envisaged expansion.

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Applications in brief please (when application form and job specification will be sent) to:

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466 Charter Avenue, Coventry, CV4 8AD**

Group Financial Accountant

to be a senior member of a small team at the Head Office in London of a major marketing orientated company with world wide interests in the chemical field.

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• AGE probably over 35. Salary about £6,000, car provided.

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Ref: EM/329/ST

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Ref: PA/327/ST

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Ref: FC/328/ST

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Ref: *MP/331/ST*

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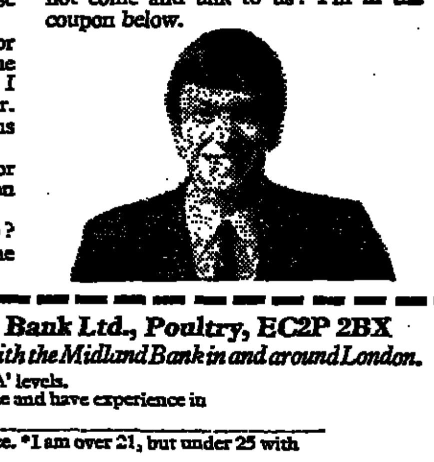

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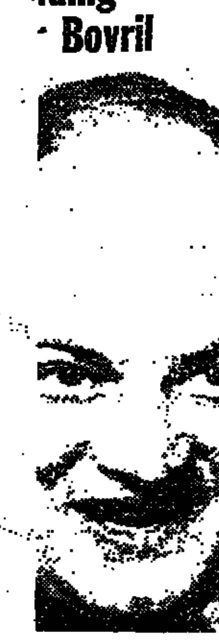
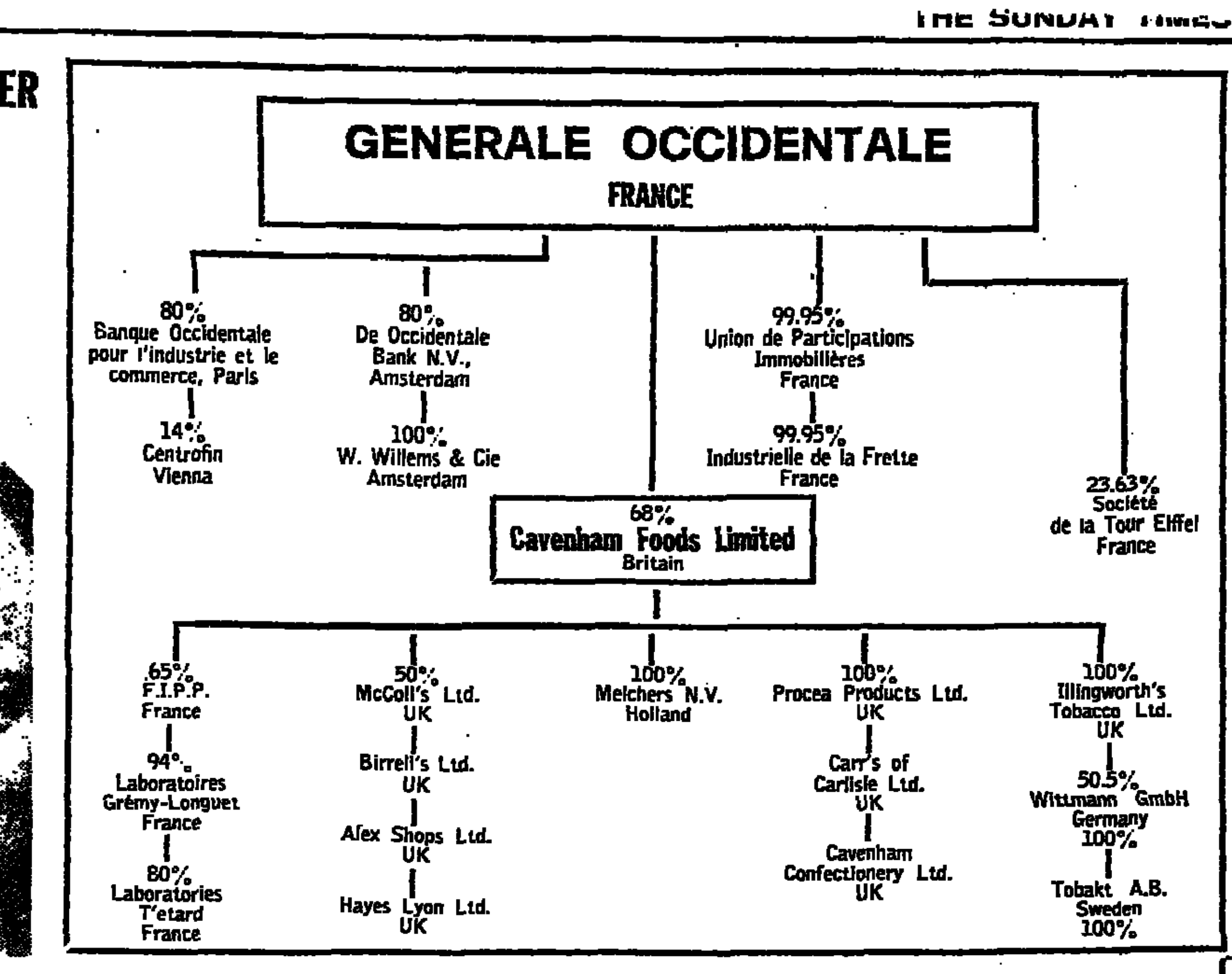




The rise of Mr Goldsmith

ING round the first-floor g room of his London palazzo 7 Chester Terrace, like an ..ted secretary-bird, Jimmy smith pecks nervously at a cigar and devoutly hopes Cavenham Foods' latest i million take-over bid for il will be unbeatable. Five s ago, he would not have got first base. Bovril could ..dly then have done with ..ing up; but Cavenham, in e days, needed a blood trans-n as it recorded a £988,000 Somehow since then, gh, this mixed bag of every-; from Carson's liqueur chocs r Rumsey's snuff, has grown of all recognition to a point re it can bid with some con-on for a place among the national food giants.

mes Goldsmith and his ch partner, Baron Alexis de :burg, now operate a £25 mil- combine, The Société rale Occidentale, which is ılti-national outfit with offices he Champs Elysées in Paris interests ranging from an terdam bank to (until re-y) part of a huge African ganese mine. It has a 68% in Cavenham worth some million, around which the e complex revolves. And it ell placed to control its own icial destiny through an cate complex of holding com-es. Now that it aims to l Bovril and Cavenham into international combine like tlé, the time has come to test n and counter-claim.

That Jimmy Goldsmith is a icial wizard.

the very least, he is finan-y adroit. His first venture in ce was Laboratoires Cas-e, which had a UK offshoot d Ward Casson and alised in marketing cor-e tablets for the treatment heumatism. In December all such cheap cortisone rts suffered from critical fire ıe Lancet, alleging that they sub-standard. Goldsmith ted that the major drug anies were out to ruin him ise he had cut the price almost 80%. When sales ped, Goldsmith found him-overstretched and under-alised. Cassenne-Casson was ly sold off (at a profit) to ratoires Roussel. He then d to the less contentious ess of slimming foods via ratoires Gustin Milical. It ıas an estimated 90% of the h market.

series of are raids

ldsmith's first major foray Britain took the form of a ; of classic share raids on vely unconsidered sweet and firms. He started by ıg up a 40% stake in the aking Carson's chocolate ess in March 1964. His ique was simple: buy ınky holding in Company l for control, use Company id for control of Company B o on.

cea Products was acquired ıne, Carrs of Carlisle in er, J. A. & P. Holland ıding Walter's Palm Toffee others) in January 1965. es, Yeatman and the name lizabeth Shaw were also d into the Cavenham bag. uly that year, merchant rs Keyser Ullman organised ing-up operation to acquire itstanding shares in Carson's Iolland. Within 19 months, small beginnings, Goldsmith onstructed a £27 millions-a-group. He forecast pre-tax of at least £215,000.

lsmith had allowed his il optimism to run away him. Pre-tax profits for 66 actually worked out ss than £168,000, not more than Carrs had l by itself. (Excess re-sation costs of £291,000 capital loss of £100,000 had charged to reserves.) And otnotes showed some two- of this pre-tax profit (£105,000) as "special income," including a commission of £40,000 for passing a would-be acquisition on to another company.

Undeterred by this shortfall, Goldsmith pushed ambitiously on. He extracted a profitable wholesaling concern, Holland Distributors—then making trading profits of £278,000 a year—from the carcase of J. A. & P. Holland. On this basis (helped by a handy 20% stake bought from Jim Slater) he then made a successful £1.4 million bid for Singleton and Cole, the tobacco and sweets wholesalers. Singleton's was then turning over around £22 million a year and had just reported profits of £147,000, though £77,000 came from its snuff business and £67,000 was described as "fortuitous gains."

One basic reason why Singleton & Cole was bought has never before been disclosed to Cavenham shareholders. It was, in fact, a strategic gamble. Goldsmith was hoping to set Cavenham up as a choice merger prospect for the Libby's milk-products-to-sliced-peaches combine (assets then $260 million). As a result of this, he aimed to secure effective control of the US concern via share exchange. Then he could sell off the latter's canning side and release $45 to $50 million to start his own Nestlé.

Masterstroke that failed

But Nestlé, itself, dished this deal by deciding not to sell and buying out the two Libby shareholders who did want to sell their holdings. Goldsmith's masterstroke failed and the grand international design was quietly shelved. Meanwhile, he made the best of his creation of a £35 million-a-year wholesaling group. Although the acquisition had been consummated after the 1965/66 year-end, he took the valuable snuff interests out of Singleton and Cole and inserted them retrospectively into Cavenham's "grocery" division.

From a conventional trading viewpoint, Cavenham had moved heavily into wholesaling at almost exactly the wrong moment—just as it took a nasty knock from Selective Employment Tax. "The effect of this is to make it likely that profits for the current year may be about £100,000 less than I had originally anticipated," James Goldsmith forecast. But wholesaling went sour, groceries plunged into the red and trading losses on sweets escalated to a record £677,000.

Cavenham's was never in greater need of financial wizardry and wizardry was what it got. Goldsmith and Baron de Gunzburg pulled off two overseas deals. First, they merged their loss-making confectionery business with that of the French mineral water giant Source Perrier, where de Gunzburg was a major shareholder: this provided kudos but no immediate cash. Second, they set up another 50-50 company with Conwood Corporation of Memphis (formerly the American Snuff Company). This is called Conwood SA, and it encapsulated Cavenham's profitable snuff and tobacco interests, thus providing a useful American ally, £811,000 cash and a special profit.

Goldsmith revalued the rump of Singleton & Cole, knocked off some goodwill, and came up with a capital profit of nearly £700,000 on the Conwood deal. But even this was not enough to plug the hole in the profit and loss account. After a reflective dinner, Cavenham's merchant banker, Roland Franklin of Keyser Ullmann suggested that any board falling that far short of its forecast should make good the damage personally. Goldsmith and de Gunzburg accordingly pumped in a non-recurring "contribution" of £500,000 (J.G. has just sold his family stake in Hotels Reunis to Max Joseph).

It was in 1966/67 that Cavenham's auditors qualified the accounts for the first and last time. "The directors state that, in their opinion, the amount of £950,243 attributable to goodwill . . . is justified by the future prospects of the group," they noted. "This is a question on which we do not feel able to express an opinion." At the latest official count, goodwill accounted for £6,640,000 or just over 75% of Cavenham's £8,800,000 net book assets.

As Cavenham recovered, James Goldsmith was to show adroit financial wizardry on two further occasions. First, in June, 1969, when the confectionery deal with Perrier was undone and Cavenham Confectionery was promptly sold into the joint Swiss company Conwood SA to show a capital profit of £183,000. Secondly in July this year, when Cavenham sold a half-share in its newly-enlarged retail division to Southland Corporation, which runs 4,100 shops across the US, for around £3.3 million and a capital profit of at least £2.6 million—still unused.

2. That Cavenham's growth record speaks for itself.

Goldsmith is portrayed as a man who took over a group losing £1 million a year and hauled it round to the point (1970/71) where pre-tax profits hit £1,963,000. But that is a considerable over-simplification. As we have seen, the £988,000 loss occurred some time after he took control and was mostly self-inflicted by a substantial but necessary reorganisation programme and reflected a decision —for 1966/67—not to differentiate between trading and reorganisation losses.

Goldsmith defends Cavenham's early accounting tactics on the (perhaps justifiable) ground that he was fighting for the company's life. It was entirely legitimate (if a shade imprudent) to show a £700,000 profit on the rump of Singleton & Cole for 1966/67, he argues, since at that time he did not intend to sell S & C. When he did sell the wholesaling business to Palmer & Harvey and P. Panto, towards the end of 1968, however, there was an estimated overall deficiency of £150,000. Subsequently all profits and losses from wholesaling were excised from the record.

About a year later, Goldsmith tidied up another mistake. Between the year-end on March 31 and publication of the 1967/68 accounts on December 24, he both started and stopped a Swiss company, Cavenham AG, marketing his slimming food lines. So a £60,000 provision was made in the 1967/68 accounts for the loss. "It was the most conservative form of accounting," he says. Next year's accounts only suffered to the tune of £36,307.

But the self-defence argument can scarcely apply to the 1968/69 accounts, which disclosed that the £640,000 pre-tax profits included not only the £183,000 capital profit on the Conwood sweets deal, but also unused provisions totalling £390,000 from the previous year. Price Waterhouse later amended the £640,000 profit down to £16,000 excluding exceptional items, equal to three months of the £61,000 p.a. that Perrier had agreed to pay after unscrambling their deal.

Cavenham's recent growth record has benefited to a marked degree from the timing and treatment of acquisitions and disposals. Spurred on by a £650,000 profit forecast on December 18, 1969, the shares rose almost vertically from 6s to 15s 3d when they were voluntarily suspended on February 4. There was then a long intermission until August, when Cavenham acquired a 60% stake in Financière et Industrielle de Pétrole et de Pharmacie (incorporating Milical and various other interests) and "bought back" Conwood's half of Conwood SA for shares.

The effect of these deals was (a) partly to simplify the Cavenham group's structure and (b) to increase its pre-tax profits by around £670,000. Footnote readers will have noticed that some 62% of FIPP's £536,000 profits for the 15 months to March 31, 1970 came from the Cogépharm group (manufacturers of the well-known Synthol disinfectant) where Goldsmith and de Gunzburg had acquired control as late as February of that year. Comparison of the French and English figures for Milical in 1968 incidentally, indicates that the cost of thus "carrying" dividend-less Cavenham shares was around £65,000 a year.

3. That Goldsmith has the right management for Bovril.

Cavenham certainly has a high-powered management team with three ex-Procter & Gamble marketeers in key positions. And they can point to at least one major marketing success. Procea Products was making around £50,000 a year when he took over, Goldsmith recounts, and now they are producing around £500,000.

Confectionery has been hauled back into the black to the tune of some £247,000 a year, thanks partly to Conwood's help in providing outlets for an expanding export trade. But the record here is a shade patchy, for Goldsmith could not bring round the prestigious but loss-making Dutch firm of H. Ringer, whose actual business was sold after seven months (and high hopes in the 1969/70 report) for just 11,000 florins or less than £1,300. The property was retained and leased off. Total costs and losses of £80,000-odd were charged against a special provision without affecting profits

Cavenham's undoubted success in the snuff trade (£240,000 trading profit in 1969-70) was in part built up on a controlling position in the German offshoot, Snuff-Tobacco Wittman, where Herr Wittman himself was instrumental in generating £130,000 pre-tax in 1970. Elsewhere former Co-op manager Jim Wood has revolutionised a retail division expanded from 70 to 370 shops by the £948,000 acquisition of the Birrell and McColl chains from Keyser Ullman this year. But his £255,000 divisional trading profit was helped by the inclusion of Birrell profits of £120,000-odd, and the exclusion of losses from McColls. Re-organisation costs were £121,000, met from a composite balance sheet item "creditors and provisions, £7,892,742."

4. That Cavenham now has heavyweight back-up support.

One of the most important and certainly the least publicised figure behind Cavenham is John Burton Tigrett, an affably formidable negotiator for Armand Hammer's Occidental Oil, who came into the picture in 1967 as the emissary of Conwood Corporation and stayed to weld together the financial pieces that now form the "ultimate holding company," Société Générale Occidentale. At this stage, Goldsmith and de Gunzburg were using a shell company, Union de Participations, formerly an Algerian tram outfit, to serve mainly as a repository for Cavenham shares.

A stake in the Eiffel Tower

Tigrett advised them to move into banking. The first banking buy was the small, but august Van Embden Bank in Amsterdam. They then arranged the purchase of 40% of Société Générale Foncière which included a Paris bank. The banks were renamed Occidentale Bank and Banque Occidentale and acquired both the Union Bank of Los Angeles (assets $2,500 million) and the Central National Bank of Cleveland ($1,253 million) as 10% partners.

In June 1970, Jimmy Goldsmith welded Société Générale Foncière together with Union de Participations, which held the French pharmaceutical interests under its corporate wing, by offering the "outside" 60% majority in SGF 45 million francs (£3.4 million) worth of UP convertible loan stock. And on December 28, Union de Participations was transmogrified into the Société Générale Occidentale. Just a few days later, SGO helped to form Centrofin of Vienna, a remarkable East-West trade bank whose shareholders also include London's Kleinwort Benson and the Communist Bank Handlowy.

Cavenham is therefore not short of powerful, international and monied friends at one or two removes. Particularly now that Conwood Corporation, after a complicated share-swap via a Liechtenstein corporation called Etablissements Jovest, has an 11% stake in Générale Occidentale. "Jimmy Goldsmith has one of the best financial minds in Europe," comments Tigrett. And SGO has already moved off in a new direction, snapping up a near-24% stake in the company that runs the Eiffel Tower.

This then has been the rise of James Michael Goldsmith, a fast-moving entrepreneur who has chanced his arm and won (Procea Products, Milical, Carson's . . .) more often than he he lost (Singleton & Cole, Ringers . . .). His methods have not always been orthodox, nor has he always lived up to his own expectations —Carrs of Carlisle, for example, is still earning only £50,000-£55,000 before tax. Bovril shareholders considering the Cavenham offer must assess the risks and rewards offered by this remarkable man, who combines the talents of a financial Houdini and a commercial Master Builder.

How they make money on a £12million fund

How do the big investors manage their portfolios? Which shares are they buying and selling and why? Where do they think the market is going? The small man would dearly love to know, but he rarely, in Britain, gets the chance to find out. Today, in the first of an important occasional series, Business News meets Robert Fleming & Co. probably the biggest fund managers in the City. Flemings manages around £1,000 million-worth of stocks and shares, including nearly £400 million for the vast Save & Prosper unit trust group. Financial Editor GRAHAM SEARJEANT talks to Flemings' John Archibald (left), John Drysdale (right), and director Joe Burnett-Stuart (centre) about the way they plan policy for just one of these trusts, the £12 million Save & Prosper General Fund, which in the past year has risen by 38%.

Michael Ward

Q: What is the strategy of Save & Prosper General Fund?

A: The fund was launched in September, 1967, to fill a gap in the Save & Prosper range. We wanted to provide a general fund invested in UK-registered equities. We decided to restrict ourselves to large companies, basically those with a market capitalisation of more than £10 million. That was our first principle. The second was that we should try to produce a 5% rise each year in the distribution. The third is that we should bunch the yields in the middle of the range, rather than averaging high and low yields to achieve the same result. On the capital side we aim to beat the Financial Times all-share index, despite capital gains tax and dealing costs. With the odd exception we have, we think, carried out these principles.

With this policy, on a sizeable £12 million fund, does this mean you are picking sectors rather than individual stocks?

Very much so. We do not think we are losing out by not being in a large number of small companies that you might be able to buy now but perhaps not sell on our scale when you want to. Buying smaller companies has only really worked for us in the property sector, where there are not many big concerns. We have found, and the experience of the past few months has borne this out strikingly, that you can do just as well or better by being in the right sectors at the right time.

In General Units we have tended to avoid engineering shares to a large extent. We bought breweries, property, finance, insurance and banks.

We have a weighted model of the all-share index itself, so we can see where we are light or heavy and monitor our performance sector by sector.

Breweries have been a big success for you. Do you still feel this is a good sector to be in?

Breweries got very highly rated and we did reduce our holdings about the end of June. But in the recent post-Budget rise in the market they have fallen relatively and the price/earnings multiples have come back in line with the market.

Why have you been buying Whitbread, which has been the least successful brewery share in terms of price?

You have to take this in its context. We bought a very large and brand new holding in **Bass Charrington**, which has done us very well. We added to Allied, but with both these so large, we decided to top up our existing holding in **Whitbread** as well. Looking back on it we should have bought even more Bass instead. But the latest figures from Whitbread were very cheering. Whitbread has still outperformed the market as a whole and it has a higher yield than our other two brewery holdings.

Why did you sell Guinness, which has about the best profit record and lowest rating in the sector?

It was a question of price. **Guinness** had gone up substantially. We had about a two-thirds holding and it was a case either of filling up or getting out.

When we start a holding we try to build it up quite quickly. We do not like small holdings. We want substantial stakes in say 60 companies rather than being like those investment trusts that have 400-500. It is quite a problem, when you start buying a share. Take Guinness, or **Trafalgar House**, where we started buying at a low price. Then it suddenly leaps, and you are left with this decision whether to wait, sell now and take a profit, or just keep a small holding.

What are you likely to do with Trafalgar House in the wake of its, presumably successful, takeover of Cunard?

We started buying it basically as a property share. Now we are analysing it afresh. It is possible that we shall get rid of it.

What is your thinking on financial shares as a whole now?

We feel that the financial sector is a strong sector to go for for a considerable period of time to come. We think our new special fund, Save & Prosper, Financial Services, has got a great future.

But General does also have these yield requirements. Until the other day **Barclays** was yielding only 2.6% and **Lloyds** 2.5%. **Midland** was the highest yield there and we have made a good profit by buying just that one. But from a severely critical point of view we should have been more in banks than we were, and we partly missed that run.

Discount houses are appalling shares to deal in—typical of shares we do not want General to get involved in. You can only get a price quoted for 2,500, or 500 if you want to get out.

We have been very heavy in composite insurance and we have had an enormously successful run.

And we are still feeling relaxed—good results are coming again for the first half of this year.

Are oil shares at their peak?

Oil shares have had a good run, too, but you have been buying Burmah and a new holding in BP. Do you disagree with commentators who feel they have reached their peak?

We have been low in oils, about 6% compared with nearer 12% of the All-share index. We had, over a period, taken a view that we should stay light in this sector. Then when we were looking for a new investment, not necessarily oils, we noticed **BP**, at that stage around 420p, were on a very good yield, around 5.3%. So we bought from 417p up to around 460p. Out came the recent figures; they were very good but the relative position of the shares had changed in favour of **Burmah**; so we reduced the BP holding and aded to Burmah. We shall probably be staying relatively low in oils, despite the good **Shell** figures last week—Shell is our biggest holding.

Would you now sell BP if you thought there was going to be a rights issue?

Actually, we are thinking at this moment what to do with our BP holding. We certainly would not add to it at this level, 612p.

Six months ago your message to unitholders was that falling interest rates would boost prices. What are you projecting for the market in the next six months and how does this effect your tactics?

The importance of the general market trend to us comes back to our running the fund on an all-sector basis. We have been looking at our successful sectors—the breweries, properties and financials—to see if they are likely to perform as well over the next six months, and asking if it is time to be getting back into the engineering shares.

We have had an enormous rise in the stock market, based on hope and good earnings helped by the corporation tax cut. The recent weakness is probably due more to Wall Street than anything else. In the next year, on all the projections, it looks as though earnings will be good again; but this is partly discounted in prices. We are waiting now for evidence of the Government's reflation measures coming through to profits before the stock market takes its next step and while we are waiting we do not see much interesting happening in August, September or October. Thereafter, subject to Wall Street, we do not see why the next step should not be up.

At present your portfolio is particularly concentrated on the fashionable sectors. Is there not a danger of jumping on the current bandwagon and missing individual shares that are cheap now?

Yes. The same applies to graphs and relative strength analysis. There is a danger in any form of portfolio management that you run your success for too long and then get frozen into it.

But we do not feel there is any hurry at the moment in picking our new sectors. We want to be absolutely sure that we have got the story right and not just rush in on a broker's report immediately following Barber's mini-Budget. In fact if a sector is going to move, the relative performance trend lasts for quite a long time. You may feel you have missed the beginning, in textiles or engineering or papers, but you can always buy these once you actually start to see a turn, and still be relatively successful. Sector choice is fundamental, and we do not want to rush. For instance, although we did not buy at the bottom, we have made a good profit on building materials. This sector has probably now run its course; construction we think has not yet.

Textiles is a sector you got out of altogether by selling Courtaulds. It is one of the least re-rated so far. Do you think the industry will take a long time to recover?

We sold **Courtaulds** right at the start of the year. Now we are changing our view on textiles and particularly on Courtaulds. We have actually bought 125,000 this week. This is an interesting sector if you think there is going to be a consumer pick-up. The stock position can change quickly and this gives tremendous gearing on trading. Courtaulds also has financial gearing which should work in its favour.

What other sectors would this question of stock make attractive?

To a certain extent the building suppliers—but that story has already happened. Now there are the engineering firms supplying parts for consumer durables that can be produced quickly, and motor components. Somebody who supplies **British Leyland** or **Ford** would benefit rapidly from, say, a car boom next spring. **Sheepbridge** is one example. We also have **Pilkington** which is part motor, part building suppliers—the ideal sector stock at the moment.

You have also bought Dunlop. Was that for the sector or for the Dunlop-Pirelli merger benefits?

Primarily for yield. We bought **Dunlop** very cheaply at 126-130p. It had the right fundamentals for a solid company and at that price the yield was about 6.2%. We felt it was very much underpinned by its yield. We used the same principle as one of the legs for buying BP. It is extraordinary how the big companies have a floor under them if they get on to a certain yield basis much above the market—provided, of course, that they are trading reasonably well. It is in effect the old cry that you should always buy ICI on a 6% yield.

This approach forces you to look closely at large companies which appear out of line because the yield is high. This yield discipline is a great help in avoiding stumers, and avoiding stumers is almost as important to good portfolio performance as spotting the winners. Paradoxically your discipline forces you to look at what may be cheap shares, apparently for quite different reasons.

You have sold both EMI and Rank Organisation. Did you manage to avoid the losses there?

Yes. On **EMI** we were worried about the Capitol subsidiary in the US but we did not really sell because of some insight into the impending disaster there. We developed a long-term view that we did not feel the management was sure where it was going.

We sold Rank on a question of price. It had gone substantially ahead and the yield was too low for General Units unless we had thought something tremendous was about to happen.

You sold Reed despite a very high yield and a maintained dividend. Would you buy paper shares now?

Selling **Reed** was a mistake. We got nervous about the dividend and sold some time before it was announced. Now we are looking again at both Reed and **Bowater** to buy for General Units. We have missed out on that sector so far and both companies UK operations should benefit substantially from any pick-up in consumer spending, advertising and in Reed's case any price rise for the Daily Mirror.

Are you happy about management?

The figures do not look good but it is a very difficult industry; not one you would want to be in long-term. In that context we think Don Ryder has done a good job at Reed.

In Bowater's case we suspect there is quite an improvement. We had lunch with Martin Ritchie, the chairman, and think he has initiated some good moves. He has brought on younger management and integrated management operations under one roof for the first time.

Lunches with the chairmen...

How much of your information comes from lunches with chairmen and so on and how much do you rely on brokers?

It is hard to quantify. Communications are our life-blood and we get information from many sources: brokers, company visits at various levels of management, going to see the plants, reading industry journals, our own research department and general tittle-tattle. I would not discount tittle-tattle; we are in a market after all.

Why did you sell out of BPC rather than joining in the institutional ginger group?

We sold **BPC** because, purely on investment grounds, we were not convinced about the company and we were certainly not convinced about the dividend. That proved to be very right. From General's point of view a cut in dividend or no dividend is a disaster. BPC was just not a holding t[…] wanted.

We were aware of the [...] group, but we took the vi[ew] from the unitholders' p[oint of] view it was better to s[ell] shares than stay in and [...] improve the company, w[...] through the ginger group o[r] other means.

Many people think food [manu]facture is going to be [a] sector for the coming yea[rs] good common market unde[...] Is this why you have just [...] Unilever?

Unilever is very much [a com]modity share—much mo[re] than people imagine. Vi[rtually] all its basic raw materia[ls are] commodities which fluctu[ate in] price, so its costs go up and [down] like a yo-yo. It is inte[resting] that commodity price c[...] have quite a long-term eff[ect on] a company like Unilever, [which] is always buying and cont[racting] forward. You can actually [see] a trend up or down over ei[ghteen] months or a couple of [years]. They are already enjoyin[g the] right trend now; this [...] second quarter figures wer[e] good.

What is your time horiz[on in] projecting ahead?

We have probably neve[r pro]jected a share more tha[n ...] years ahead. You cannot g[o] beyond that with any accuracy. And of cours[e ...] need to keep a day to day [...] if anything looks like [...] wrong.

So there is not much p[oint] buying shares for their C[ommon] Market prospects yet?

Not specifically. It wou[ld be] rather like buying A[tlantic] **Richfield** on the Alaska oil s[...] which would not have bee[n] successful. You are not go[ing to] get any results for even the first transitional year, 1974. That is three [years] away. Three years back [in the] middle of 1968 who would [have] projected the stock mark[et col]lapse of 1969-70, the retur[n of a] Tory Government, and [...] recovery? We are nat[urally] interested, but in any cas[e suc]cess in the Common Mark[et will] be more a function of m[anage]ment than anything else. [...] will either rise to the cha[llenge] or get swamped by it.

Have you sold any Co[mmon] Market duds?

We don't think we had any[...] sold **Laporte** but we though[t it] was a dud anyway.

You made two interesting [moves] in stores: Woolworth and [...] Quite a few institutions [...] Woolworth at the end o[f last] year, but profits and the [...] continue to fall. Was th[at the] result of an institutional [...] in?

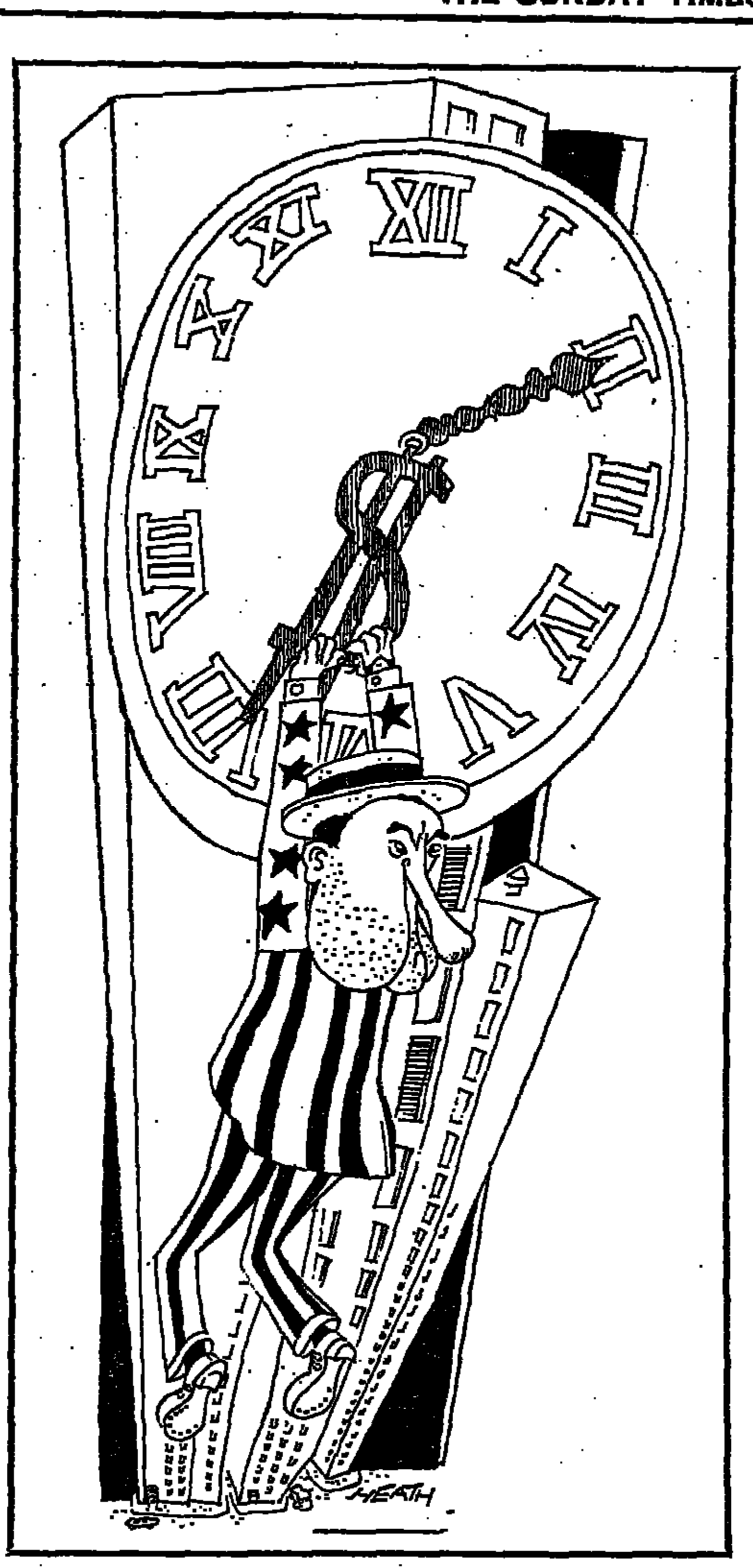
Woolworth's capital perfor[mance] has been a dud. Our analy[sts have] been to several teach-ins [...] the management has been b[...] along. But we bought it f[or its] yield, a handy 6.9%. Ho[wever] we were disappointed a[t the] latest figures and the hold[ing is] now under review.

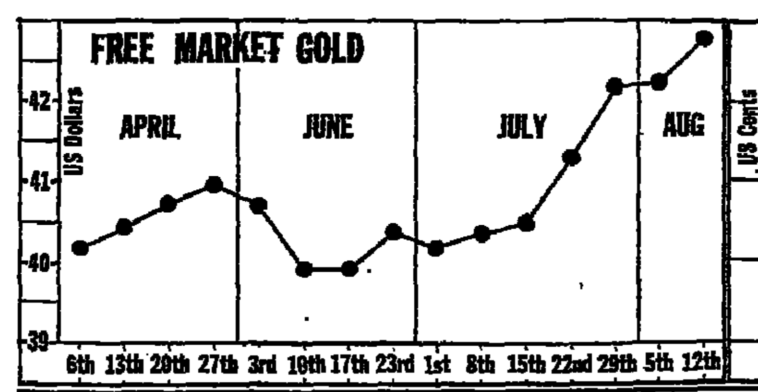
More happily you seem to [have] bought GUS just at the [right] time, when most people [were] scared off mail order b[y the] postal strike. But will you [...] it now it is on a low yield[? It] is a fairly low growth co[mpany] and its high rating seem[s to] depend more on its stea[diness] and its sector than more p[ositive] virtues.

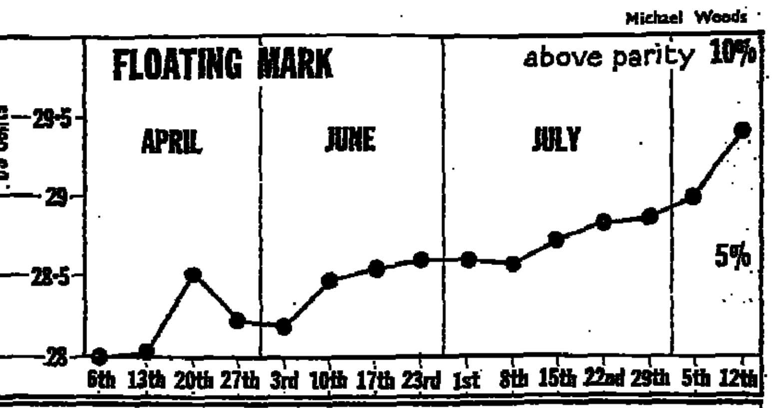
Quite agree. Even in perio[ds ...] the past GUS has never [pro]duced phenomenal ear[nings] growth. If you look at [its] record it has been 10% one [year] and 5% another. Really, i[t has] had its run. The P/E ra[tio is] up over 20. We bought [it at] around 15½, so we have a [good] profit. The whole secto[r has] been re-rated, but GUS ir[...]ticular. We would nov[...] sellers of GUS. In fac[t we] would probably be sellers [of the] stores sector in general. The[...] are now terribly high, [...]pating an awful lot. An[d] yields are low.

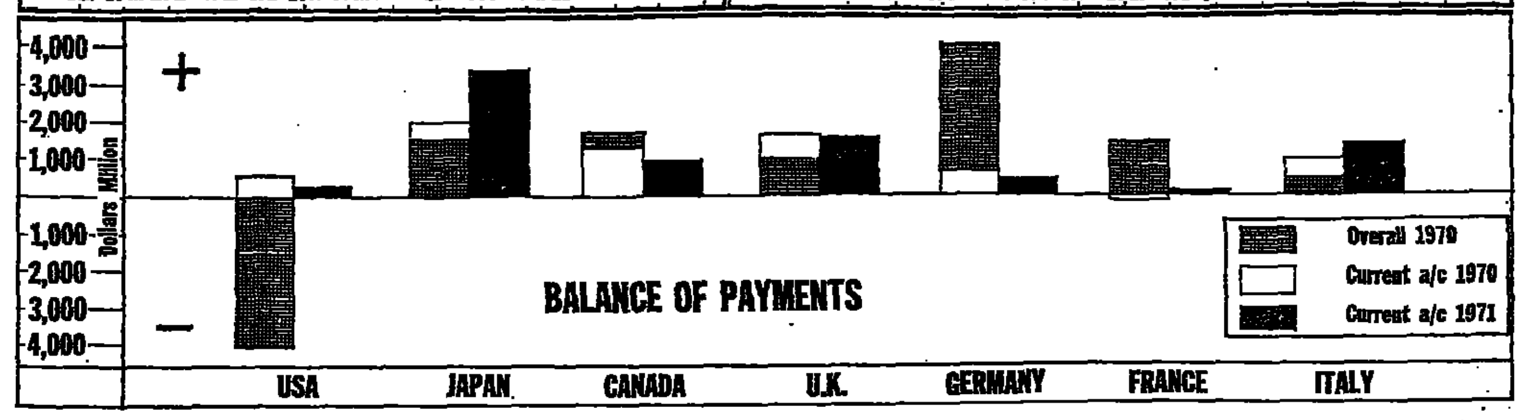
US gold reserves are plunging as speculation increases that the dollar will be devalued. MALCOLM CRAWFORD in London and HARLOW UNGER in New York report

...lust the ...ollar fall?









...T another international ...ncy crisis, or just another ... in the slow drain on the ...? Last week, dollar ...uation was in the mind of ... banker dealing with in...tional business. And ...s flowed through their ... by the hundreds of ...ns en route to the vaults ...tral banks. Every other ...tant currency—including ...g—strengthened during ...eek, and ended the week ...d against its ceiling in ... of dollars.

... central banks' vaults is ...y where these derided ...s will remain. For the US ...ury's gold stock—in ... the world's central gold ...e—is now down to $10,246 ...n. its lowest level since ...ar. Any further demands ...tral banks to swap their ...s for gold (central banks ...agreed to deal only with ...S, or each other, at $35 ...unce), would take the ...ury's gold pile down ... the magic $10,000 mil-...

...s magic only in people's ... of course—in the conjec-... of bankers and officials ... how speculators or even ... central bankers might ... But these are just the ... of considerations that ...nine policy in the world ...gh finance. No Govern-... is in a mood to pull the ... system down around its ...y testing the psychology ... $10,000 million mark. ... the present climate.

..., the French drew out ...million early this month, ...at was because IMF rules ...ed them to make part of ...oan repayment in gold. ...er such technical calls ...ld are believed to be ...ent, and France's finance ...er, Giscard d'Estaing, ...t clear last week that he ... seeking to upset the ... by demanding gold.

... newest explosive contri-... to the increasingly ...us international mone-...imate was the report of the sub-committee of the US Congress on International Exchange and Payments, chaired by Henry Reuss, calling for devaluation of the dollar. Reuss has been known to favour this for some time, but his report, issued a week ago in Washington, contained enough logical thinking about the mechanics of it to persuade many people on Capital Hill that this is not a crackpot idea.

Whether it is really practical just now is another matter. The new orthodoxy about dollar devaluation is that the dollar cannot be devalued, and that the only way this end can be achieved is by other countries revaluing against it. It is easy to see how this belief suits the US Treasury, for countering speculation. But unlike some monetary orthodoxies, it is largely though not wholly true.

The situation puts the US in a very difficult position indeed. With a balance of payments chronically in deficit ($2,800 million in the first quarter on one definition, $5.700 million by another) the US leaves it up to the foreigner, either to continue accumulating the dollars spent or lent abroad—which can sometimes make conduct of monetary policies very difficult for the dollar-gaining country—or else to revalue his currency upwards against the dollar (or let it float upwards, with much the same effect). The way some European bankers tell it, this puts all the onus on them and makes life easy for the Americans.

What happens, though, is that most of the time the necessary adjustments just do not get made. Three countries have revalued, and three including Germany, have floated their currencies upward. After the last bout of this, in May, American officials thought that this would be almost enough to restore equilibrium—if only Japan would behave herself, preferably by a 10-15% revaluation.

So far, though, there is no sign of Prime Minister Sato's Government swallowing its denials of any intent to revalue. So present policies appear unlikely to close the payments gap, so long as Vienam goes on.

In the meantime, a substantial part of Nixon's hoped-for monetary expansion flows out of the country, while American factories are unable to compete with Japanese ones, and the trade balance (normally in surplus) slips firmly into deficit. In these circumstances there is nothing Treasury Secretary Connally or Congressman Wilbur Mills would like more than to be able to correct the dollar's overvaluation.

Reuss's prescription is that Nixon and Connally should take "unilateral action to go off gold." That would have to be the first step toward unilateral devaluation of the dollar, insofar as this could be done at all. To devalue the dollar in this way, the dollar price of gold would have to be raised. The President lacks the legal power to do this. He cannot even formally propose it, to any international body or conference. He can only propose it to Congress, a stipulation which Congress made in 1945 when it endorsed the Bretton Woods agreement.

This means that if the Administration wants to raise the gold price, Congress must be allowed to go through its investigative and legislative procedures after being told of the Administration's intention. Naturally, the Treasury would immediately have to stop dealing in gold—this is called "closing the gold window." What happens next depends on other countries. They could continue to peg their currencies against the dollar, and thereby attract more dollars. Or they could float, as Canada and Germany have done, to stop the dollar influx. In other words, what would ensue would be what is happening now, only more so.

This chaotic result does not appear to be the preferred choice even of Henry Reuss. He would like, first, to see the Administration press harder to get certain strong currencies revalued, especially the yen. "After all," an aide of his told The Sunday Times on Friday, "the dollar remains undervalued in relation to at least 100 other countries. It is overvalued only in relation to the Japanese yen and maybe half a dozen other currencies."

The official added that the primary motive in releasing the report was to spur the Administration and the IMF into "doing something realistic about solving the US balance of payments situation."

Last week, following the furore over Reuss, certain well-briefed articles appeared by Washington journalists elaborating the Reuss scenario. If the US closed the gold window, the IMF executive, it was suggested, would use powers available to it under a little-known article in its rules to suspend all parities temporarily, setting in motion a general all-around float. The two-tier gold system would come toppling down. Eventually, the US would announce a new gold price, and new parities against the dollar and/or gold would somehow be worked out, while Congress got around to agreeing to a new dollar-gold parity.

We do not believe that it would happen this way. Economists can devise elegant mathematical models of how freely floating exchange rates can produce general equilibrium, but central bankers do not believe them. They can comprehend two or three currencies floating against the dollar well enough, but the idea of every currency floating against every other one scares the wits out of them.

There would be a conference held as soon as possible at which the big financial powers would exchange demands, offers, and threats, and come to some sort of agreement on new exchange rates. Some countries that had difficulty in picking a par value quickly would temporarily float. It would not much matter what new gold price Congress eventually picked, if it picked a different one at all. It is the changed exchange rates against the dollar that would matter, not the gold price.

But why would it be necessary for the United States to go off gold to achieve this, then? Only because, as the Bundesbank's vice-president, Otmar Emminger, observed recently, it usually requires an international crisis to get the right exchange rate adjustments made. The Nixon Administration is not going to set off this particular sort of crisis just now. For by the time Congress had satisfied itself, chewing the matter over, next year's presidential election campaign would be looming up—not a good time to be completing the world's most painful form of devaluation.

Someone high up in Washington appears to be flashing warning signals. Who is he trying to scare?

The Japanese, as the chart shows, have the biggest surpluses. They admit that these are likely to continue, and though they argue that aid and investment are flowing out fast, the aid is largely export credit, which will generate repayments in time, and the investment will generate profits, remittable to Japan. Lately, there has been active debate in the Japanese financial press about the revaluation question, with prominent Japanese figures declaring themselves for and against. It is closely reminiscent of Germany in 1968, when the same debate suddenly broke out there (Germany revalued by 9.3% in 1969).

With Japan, agreement with the US will be complicated by both sides' accusations about non-tariff barriers. Our bet is on a package including removal of quotas, together with a yen revaluation of 10% and agreement by the US to stop demanding that Japan restrain her exports.

Germany has the biggest overall payment surplus, as the chart shows, but this is mostly short-term capital, much of it borrowed by German firms from the eurodollar market. Legislation is now proposed to put such borrowing under restraints parallel to those on German domestic borrowing. The current account surplus, which in 1961 was $1,600 million, is likely to fall below $500 million this year. This was the OECD's estimate in June, and with the floating D-mark now over 8% above the parity fixed by the 1969 revaluation, the current account could go into deficit. The mark does not look undervalued. The Germans are surely watching to see what the Japanese do before fixing a new party for the mark.

Britain, for a change, is now among the ranks of the countries with big surpluses. Our current surplus is now far bigger than Germany's, and the overall position is also heavily in surplus. But this is largely due to the recession. At 2% unemployment, Britain's current account would be in about bare balance.

It would be much easier for the US to get a pseudo-devaluation of the dollar in the form of an import surcharge and an export rebate. The export rebate would have to be initiated in the House Ways and Means Committee, headed by Wilbur Mills. Given the present tense relations between Mills and Nixon, their co-operation over this in the near future seems unlikely. But an import surcharge could be imposed by decree. A charge of 15% is understood to be under examination.

Also proposed are tax holidays for export sales subsidiaries of American companies. Although the Japanese use this device, the Americans and other OECD countries have been trying to induce the Japanese to abandon this export subsidy. Other ideas being investigated include investment credits for exporting firms, and (shades of Wedgwood Benn!) subsidies for advanced technology exports disguised as development credits.

The main collector and promulgator of ideas of this kind has been Peter Peterson, Nixon's new Co-ordinator for International Economic Policy—a new office, which appears to exist mainly for the application of pressure and striking of fear into the hearts of small, dark, slant-eyed men.

However, the Japanese are not, in our view, going to give in unless the Nixon Administration makes concessions to them on trade. Given the rapid and unpredictable growth of Japanese productivity, it would be better if the Japanese let the yen float, then revalued to a new fixed rate.

The next high-level occasion for these matters to be taken further will be a meeting of finance ministers of the Group of 10, to be held a few days before the IMF meeting late in September. It will be a busy occasion. For the ministers will also be considering changes in the IMF rules, including a widening of the bands between ceilings and floors, governing the day-to-day stabilisation of currencies by central banks. Present Fund rules set a limit of 1% either way. This will be widened to at least 3%.

This would be no substitute for changes in exchange rates (a currency on its present ceiling or floor would revalue or devalue by about 2% when moving to its proposed 3% ceiling or floor, which is not much) but it would help.

It would also legalise a deal which the Germans and French appear to have reached in outline (and in secret, on behalf of the Common Market as a whole) which would resume their road to EEC monetary union. Although many proclaimed this latter aspiration dead when the mark floated last May, the present aim involves Common Market currencies fluctuating in line with one another across a band of up to 3% either side of parity. This is a further step ahead than it seemed, before May the Community was prepared to take until at least the middle 1970s, for it involves, in some degree, a Community-wide float *en bloc* against the dollar and other currencies.

Other amendments to the IMF articles are likely to come before the meeting, too. Temporary floating of rates may be legalised. The present floats by Germany, Canada, and the Netherlands are shooting holes in the rules. These must urgently be amended if any respect at all is to be sustained for the Fund's articles. Otherwise the IMF will become increasingly ignored except when a country in trouble needs it for money. It has a larger role to play than that of pawnbroker—especially in these crucial days when the dollar, the pivot of the whole international money system, looks so shaky on its pins.

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Please write by Friday, August 20, quoting reference SAR, to: Merz and McLellan, Consulting Engineers, Amberley, Killingworth, Newcastle-upon-Tyne, NE12 0RS, for application form, stating when available to commence duties. Initial interviews will be held in Newcastle-upon-Tyne or London.

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مكذا من الاجل

INDICATOR	PROFITS	DIVIDENDS	PRICE CHANGES
Last week	£17.2m (+2.5%)	Up: 29 Down: 5 Same: 20	The Times Industrial Share Index 168.43 (+4.07 on the week) Rank 'A' 853p (+48p) Hoover 'A' 480p (+40p)
Last 52 weeks	£5.013m (+5.2%)	Up: 1,608 Down: 569 Same: 1,622	Ultramar 284p (+16p) Plessey 126p (+15p) BSA 20p (−8p) Turriff Constr 50p (−6p)

Figures show annual pre-tax profits for industrial companies reporting last week and over the last 12 months.

Statistics by Exchange Telegraph

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
14	9	Locker, T.	13½	−½	0.8	5.9	11.3
98	50	Ldn. & Midland	98	+15	5.0	5.1	8.9
94½	36½	London Brick	95	+5½	3.8	4.0	17.0
388¾	156	Lucas Ind.	268	+6	9.3	3.1	13.8
523	320	Lyons (J.) Ord.	502	+4	13.6	2.7	19.8
52	15½	Metalrax	31	...	1.9	6.1	9.4
55	28	Meyer, M. L. ●	53	−1	3.0	5.7	11.3
88¾	60	M.E.M.	80	+1	2.5	3.1	16.4
52	45	Midland Alum	79	...	5.0	6.3	13.2
110	72	Miles Druce	93	...	5.5	5.9	6.8
37½	15	Miller Stan.	21	−2	2.0	9.5	11.9
42	17½	Modern Eng.	42	...	2.8	6.5	14.1
140	81¼	Morgan Cruc.	136	−4	5.3	3.9	16.1
20	11½	Mt. Charlotte	17½	+1	0.7	3.7	16.1

M—N

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
129	78¾	M. K. Electric	125	+1	4.5	3.8	17.5

O—Q

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
19	7¾	Ogilvy & M.	£15½	+1	32.0	2.1	16.1
67½	19	Oxley Printing	20	+½	1.3	6.3	11.8
241	125	Ozalid	220	+3	6.3	2.8	20.4
124	51½	Page Johnson	123	+7	4.4	3.6	10.8
78¾	51¼	Parker Timber	63	+3	3.5	5.6	10.8
182	85¼	Parkinson, Sir L.	182	+7	6.8	3.7	11.1
45	20	Parkland Tex. A.	25½	+½	2.5	9.8	9.3
95	44½	Pasolds	64h	..	2.5	3.9	12.4
300	219½	Paterson Zoch.	300	+5	7.0	2.3	8.0
45	12½	Peak Trailers	45	+8½	0.5n	1.1	25.0
157½	57½	Pearson Long.	148	+7	5.0n	3.4	17.9
244	125½	Pearson & Son	230	+5	5.6	2.4	23.0
28½	15	Pemberton Grp.	22	−1	1.4	6.4	16.7
390	196½	Penguin Pub.	378b	+5	7.0n	1.9	20.3
17¼	527/32	Philips Lamp.	£65/32	+5/32	19.8	3.2	11.9
224¾	105	Plessey	126	+15	5.0	4.0	13.1
105	51¼	Plysu	96	+3	2.6b	2.7	17.8
35	21¼	Polly Peck	32	−3	2.8	8.8	7.8
190	110	Portals Hldgs.	190	...	6.0	3.2	20.6
137	83½	Powell Duffryn	137	+7	6.5	4.7	16.8
72½	28¼	Press (Wm.)	52	+2	1.3	2.4	11.2
197	115	Prestige Grp. ●	172	+6	4.8	2.8	18.9
233	143¼	Prov. Clothing	238	+1	7.1	3.0	20.1
23½	13	Pyke, W. J.	17½	...	...	...	15.8
53½	16½	Qualitex	45½h	+2½	...	...	...

R—S

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
560	410	Rank Org. Ord.	765	+51	10.6	1.4	33.6
955	427½	Do. A	853	+45	10.6	1.2	37.5
149¾	75	R.H.M.	127	+1	7.5	3.9	13.4
107	45½	R.H.P.	104	+2	4.4n	4.2	12.4
71¼	50	Ratcliffe F.S. ●	52	−3	5.6	10.8	7.0
98	51¼	Raybeck Ltd.	97½	+7½	3.4n	3.4	11.9
47	25½	Readicut Int.	47	+1	1.4	3.9	18.3
301	187½	Reckitt & Col.	300	+17	8.5	2.8	21.9
108	41½	Redland	106	+8½	3.8	2.3	21.9
60½	10	Redman H'nan	21	−1	...	...	18.1
375	168¼	Reed (Austin)	355	−15	9.2	2.6	20.3
275	121	Reed Int.	222	+3	12.5	5.6	15.7
90	30	Reed & Smith	43	−1	4.5	10.5	7.3
376	217½	Renold Ltd.	370	−8	13.0	3.5	17.0
125	56½	Rentokil Grp.	120	−1½	2.0	1.7	32.3
157	104½	Rexmore	154	−1	6.8	3.7	12.6
242½	119	Reyrolle Pars.	140	−6	13.5	9.6	9.4
138½	50	Rich'rds & Wall	84	−2	4.5	5.4	23.3
121½	52½	Robertson Fd.	93	−3	4.5	4.8	13.8
480	235¾	R'son Rentals	430	−15	10.0	2.3	28.0
509	387½	Rowntree Mc.	505	...	22.5n	4.5	13.2
142½	67½	Rowton Hotels	120	..	5.2b	4.4	16.1
82½	30	Ruberoid	79	+1	4.4b	5.5	13.6
154	99¾	Rugby Cement	142	+4	3.0	2.1	21.5
115	13½	Rye (Claude)	106	+2	2.3n	2.1	11.1
140	91	Samuel H.	139	...	3.9	2.8	17.2
142	85	Do. A	128	...	3.9	2.5	17.0
151½	50	Saville Gdn.	59	−1	4.0	6.8	7.1
91½	39½	Scapa Grp.	67½	+1	4.7	6.9	10.8
155	83½	Scot. Meat Prd.	140	−3	5.0b	3.4	17.8

INSURANCE

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
460	221¼	Bowring	460	+14	9.5	2.1	...
478	250	Com. Union	462	−4	15.8	3.4	...
438	230	Eagle Star	435	+23	12.0	2.8	...
249	118¾	Guardian Ryl.	245	+8	8.0	3.3	...
131	57½	Hammond (L.)	123	+6	5.0	4.1	16.3
138	80¾	Howden (Alex)	136	−2	4.3	3.1	20.4
348	172½	Legal & Gen.	325	+11	7.2g	2.2	...
280	178¾	Pearl	274	+21	10.0	3.6	...
181	107½	Prudential	175	+21	5.3	3.0	...
403	191¾	Royal	393	+7	13.0	3.3	...
357	192½	Staplegreen	350	−2	12.5	3.6	19.7

INVESTMENT TRUSTS

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
100½	61¼	Great Nthn.	100½	+1½	3.6b	3.6	26.4
68	36¼	Hume Hldgs 'A'	64	...	2.5	3.9	21.9
120	75	Ldn El & Gen ●	83	..	1.9	2.3	45.6
56¾	34¾	Mercantile Inv.	55½	+1	2.1	3.7	26.4
229	88¾	Triumph Inv.	218	+7	8.3	3.8	...
238	142½	Trustees Corp.	231	+5	6.9	3.0	29.1
180	98¾	Utd. Brit. Secs.	174	+2	5.6	3.2	30.0
45	30	U.K. & Overseas	42	...	3.0b	7.1	13.1

SHIPPING

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
225	142½	Brit. & Comm.	225	+10	5.0	3.6	18.5
268¾	67	Cunard	200 h	+10	5.0	2.5	..
385	195¾	Furness Withy	334	+19	15.0	4.5	38.5
145	94	Ocean Steam	104	−½	7.0	6.7	11.2
209½	145	P. & O. Dfd.	167	—	12.0	7.2	7.8

MINES

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
385	278¾	Ang. Amer. Cp.	357	+3	9.2	2.6	...
32½	2½	Appollo Int.	3½	...	...	...	...
380	204	Charter Cons.	249	+9	8.0	3.2	...
316½	218	Cons. G. Fds.	254	−2	7.3	2.9	...
79½	73½	G'fds. M & I Deb	79½	..	725.0	9.1	...
165	66	Lonrho	86	+1	6.5	7.6	...
290	48¼	Pac. Copper	88	−4	...	..	...
332½	210	Rio Tinto Zinc	230	+5	6.0	2.6	...
18½	6¾	W. Driefontn.	£9¾	+5/16	62.9	6.4	...
965	525	W. Wit. Areas	880	+20	26.2	3.0	...

[illegible]

UNIT TRUSTS

[illegible]

● Ex dividend. a Ex all. b Forecast dividend. c Corrected price. ● Interim payment passed. f Price at suspension. g Div. and yield exclude a special payment. h Bid for company. k Ex capital distribution. n Forecast earnings. p Pre-merger figures. r Ex rights. s Ex scrip. t Tax free. y Price adjusted for late dealings. ... No significant data.

(Further Stock Market quotations may be included in this table at a rate of £78 per annum per quotation.)

In the price earnings ratios on this page the share price is compared with the company's annual profits. Latest available earnings are used, allowing for corporation tax, normally on a 42½ per cent basis, trusts, banks, insurance companies along with certain mines and overseas groups excluded.

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
36½	1½	I.O.S.M.	51½	...	...	...	...
282	118½	Jessel Secs. ●	266	+6	12.0	4.5	14.8
113	83½	Lloyds & Scot	101	+4	3.2b	3.2	18.5
199	111½	Mercantile Credit	181	+7	6.4	3.5	19.9
186¼	62½	Ralli Int.	126	+6	5.0	4.0	16.8
68	39	Refuge Secs.	56	−4	2.9	5.1	9.2
200	103¼	Utd. Dom. Trust	200	+14	6.3	3.1	15.8
76	32½	Western Credit	74	+2	2.6	3.6	...

NEW ISSUES

Issue Price		Price	Rise or Fall
40	Lincroft Kilgour 10p	38	...
...	Matthews Wrightson 20p	246	+6
55	Marshall, Morgan 25p	72	+17
62	NSS Newsagents 10p	80	+3
66	Thanet Inv 50p	67	+1
75	Tranmer Group 10p	75	...

		Butterf'd-Hvy.	37½	+1	1.9	5.0	10.0
		Bydand	35	+1	...	...	...
		Cadbury Sch.	87	+1	4.0	4.6	20.6
		Campari	125	+1	4.7	3.8	14.8
		Camrex Hgs.	141	−1	4.2	3.0	13.9
		Cape Asbestos	147½	−2½	6.9	4.6	18.3
45	20	Letraset	38	+5	1.0	2.6	21.0
160	112½	Lewis & Peat	157	+10	7.5	4.8	14.2
155	100	Do. "A"	154	+11	7.5	4.9	13.9
234	98¼	Lex Services	224	+8	3.8n	1.7	16.6
56	25	Leyland Paints	56	+2	2.2	3.9	11.1
90	20	Lines Bros.	27	+5½	...	...	...
59½	29	Lister & Co.	50	+1	3.5	7.0	24.4
82	40	Lloyd, F. H.	82	+6	4.9	6.0	13.6

General Appointments ● General Appointments ● General Appointments ● General Appointments

SUNDAY TIMES BUSINESS NEWS

Prufrock

THE TROUBLE to which some people go to get their Sunday Times I reckon they deserve a medal. Just before 11 am every Sunday, Bill Russell drives 10 miles from the village where he lives to Calais just to get the paper. Then he drives 10 miles back again. The paper plus his petrol comes to about 70p. It also costs him his wife's acute disapproval when he spends the rest of the day reading it. When you are an expatriate, keeping in touch with home is sometimes an expensive and hazardous business.

Russell is a member of the British business community in Calais and has been there for five years running the French subsidiary of Readicut International. Largely due to his efforts, housewives in France, Holland and Belgium sit at home rug making like mad with Readicut wool and canvas.

With a delightful house in Ardres—the locals call it *La Maison Anglaise*—three sons at boarding school in Boulogne and fluent French with a Yorkshire accent, Russell is merging very successfully into the French scene. Someone telephoned him from England the other day just to tell him what the Yorkshire cricket score was. "But I've forgotten all about cricket," he says. "There's a terrible thing for a Yorkshireman to admit."

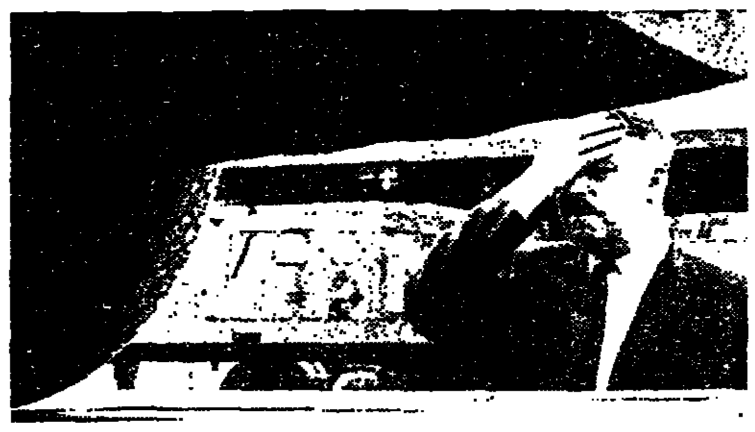
Five years makes him a comparative newcomer to the Calais scene. The British were supposed to have moved out in 1558 after holding the town for over 200 years, but looking at it now you wouldn't think so. Not just because there's Watney Red on draught in the café in the car ferry terminal and GB cars heading through the town in a constant stream. For on a day with good visibility, the British presence in Calais is observable not very long after you clear Dover Harbour in the form of a smudge of smoke on the horizon from the chimneys of the British Titan Products plant.

The plant makes titanium dioxide, which is the stuff which puts brightness and whiteness into paint. It cost £8 million when it was first built and is currently being expanded to double capacity, which means 60,000 tons of brightness and whiteness a year. It employs 350 people and is run by two British managers, Bill Stewart and Ken Hyatt.

Mark Ellidge

Bill Russell (right, with his assistant Ronald Bell), trying not to wave his arms about

An Englishman's home is his Calais



Denis Gregson mans the AA office, repatriating mangled cars

Riley, now a local worthy

British names like theirs liberally dot the Calais telephone directory. They are unmistakable. Bacon, Barton, Boots, Gregson, Johnson, Stubbs, Small, Wheatley and Worthington. Some go back to early last century when Nottingham lace weavers smuggled dismantled looms across the Channel on fishing boats and founded the town's present machine-made lace industry. Theirs was an early toe hold in the Common Market. Based in Nottingham they faced high European tariffs.

Others go back to when Brampton Renolds built a chain factory in Calais 90 years ago. Others to the 1920s when Courtaulds arrived. Yet others to when the hovercraft came. Terry Halfacre (no, they don't call him Monsieur Demihectare) is station superintendent for Hoverlloyd at the Calais Hoverport. A few years ago he used to work on The Sunday Times, helping make up the advertising pages.

Of course not all British investment is on the scale of Courtaulds or British Titan, the two largest lumps. There's a nice florist in town called Mai Flor which is owned by a Scot. Nor are all the British employed by Britons—one of the porters at the Hotel du Sauvage used to be a foreman finisher in a Lancashire leather works.

It is surprising how few British executives there are, considering the scale of British investment (estimated at between £40 and £50 million). Besides the companies I've mentioned, Lines Brothers, Lake and Elliot, Universal Matthey and Whessoe all have factories there. The most recent arrival is Rist's Wires and Cables, which is part of the Joseph Lucas group.

Calais claims it has the largest single concentration of British investment on the European mainland—20% of the industrial labour force, about 4,000 workers, is employed by British firms. Which was exactly the French intention. Designated a depressed area, the French offer very specific incentives to British companies moving in and creating employment: a 25% grant, a five-year holiday from local rates and other help such as subsidies for personnel training.

The Calaisiens don't mess about when they make up their minds about something like involving the British in their affairs. The Calais Rotary club even has a British president, certainly the first ever in the town and possibly in France.

He is Bernard Riley, who has been in France for 25 years and has quite specifically been marketing his knowledge and expertise of French business to British firms. He used to be general manager of Lake and Elliot in Calais, but is now running British Dredging's French offshoot at Dunkirk, where he has so successfully sold French construction companies the idea of using sea dredged aggregates, which they were not accustomed to using in northern France, that he sold a million tons at £1 a ton last year.

British Dredging's progress, and the opportunities offered by the building of the huge Calais-Dunkirk port and industrial complex to rival Rotterdam over the next 25 years, has already brought the competition's dredgers into harbour.

Riley is totally integrated after 25 years. Both his son and daughter went to school and university in France, he lives in a small French hamlet of half a dozen houses, and he even brought his father and mother to France to live with him. They spent 15 years there and died within a few days of each other aged 89 and 86.

Riley even has an integrated English secretary, the admirable Alice Waterfield who started with him in Coalville, Leicester, 30 years ago. She lives in Dunkirk with a cat called Pushkin.

Of course, in the beginning merging socially and professionally into the French scene is not achieved without effort. Unless you happen to speak fluent French before you arrive, the language is the first big demand on an executive settling in to run a French company.

"At first everything takes longer and you have to concentrate harder," says Bill Russell. "It's a bit lonely to start with, but life is very agreeable." There are, however, two concessions he has not made to his new French way of life. One is waving his arms when talking, a habit easily acquired, so he schools himself to sit with his hands on his elbows. The other was when he persuaded his staff of 40 that it wasn't necessary for them to shake hands with him every morning and evening.

He has also learned that when you advertise a product in France you need more space to spell out the message than in England. It is all the *politesse* in the French language which eats up the column centimetres and costs more.

For the occupants of the 400,000 GB cars which pass through the port each year, the bonjour handshaking bit is part of the fun. But one of the saddest bits of Calais business centres on repatriating broken down and smashed British cars. The job is in the hands of the Gregson brothers, Denis and Maurice, who are port agents for the AA. Their dad came to France after the First World War and set himself up in the car hire business, not self drive, but as a sort of batman-driver with his own Rolls-Royce, catering for English visitors who wanted to tour in the grand manner.

Now the Gregsons concentrate on giving advice and succour to AA members. At this time of the year the unhappy smashed car traffic reaches its peak, between 600 to 800 vehicles being repatriated through Calais alone in two months. It is a business that has its lighter moments though—like AA members telephoning to announce they have lost their wives, forgotten where they have parked their car in some provincial French town or to inform them they are having their vehicle towed to the nearest garage by bullock. When he's not too busy on a Sunday, Denis Gregson reads The Sunday Times. Maybe we ought to set up a printing plant there.

Philip Clarke

Spectres at the mortgage feas

ODD AND slightly worrying things seem to be happening in the staid world of the building societies. They are flexing their muscles mightily, pointing to their fantastic recent growth, both in borrowing and in lending. But the net result seems to be *little more than* rocketing house prices, all-time record mortgage rates, and still not anything like enough good-quality, run-of-the-mill accommodation in the places where people actually want to live nowadays. Are these great (if somewhat cumbrous) machines for translating savings into bricks and mortar really doing the best job that they are capable of?

One's first concern, naturally, is with the sheer size of the operation these days. Home loans in July reached yet another historic peak, and by the end of the year look like easily topping £2,500 million. This would represent a clear jump of more than a quarter in 12 months. And although obviously quite a lot of this is a straight result of inflation—new house prices in the first part of 1971 were a good 10% dearer than in early 1970—there is still very substantial recruitment going on to the ranks of the owner-occupiers.

To meet their needs, the country's savings are being tapped on an equally lavish scale. July's inflow, at £197 million, fell only slightly short of last December's record. But the bare figures need to be put into the sort of context presented last week by the researchers of the Bristol & West Building Society. They pointed out that, by 1973, the mortgage-men, at their present rate, will have become the biggest financial power in the country. Even by the end of this year it looks as though their assets will exceed the combined deposits of all the London, Scottish and Northern Ireland banks. And in another two years they have every chance of edging out the life insurance industry, whose book assets (at £13,500 million, against the building societies' £12,000 million) keep them currently in the lead.

But these rather rah! rah! observations conceal a somewhat serious state of affairs. *Building societies* are the classic exponent of that well-known financial sin, borrowing short and lending long, which has caused more bank failures and white-collar suicides than anything else in commercial history. They take in cash over the counter, freely repayable at, at most, a few week's notice and

ANY OTHER BUSINESS

by Peter Wilsher

in practice on demand; and then lend the money, on terms of anything between 20 and 35 years, to people who promptly invest the money in that most solid of securities, the roof over their own head.

Up to now—in fact, for the last 120 years—this structure has been effectively protected by one fact: that the people who put their savings into building *societies are not the kind of* volatile, flibbertigibbet, speculator characters who switch their money around in search of a quick extra ½% on the interest rate. But things could be changing here, in a rather important and serious way.

Usually and traditionally, building societies are not the market leaders in interest rates. For the serious, sensitive kind of money—£10,000 and upwards, sitting in the hands of a local solicitor and looking for the most remunerative, though riskless home—the favoured outlet is normally the local authority loan. But since the bank rate came down by a full 1% in April, and everyone but the building societies adjusted their rates accordingly, *this balance has dramatically* changed. Now the sensitive, serious money has every incentive to go for the highly-competitive *building society rate*—especially as they can have virtually instant repayment, as soon as a more attractive opportunity heaves into view. One has a nasty suspicion that a very large part of *the recent build-up of f* have come from this source. And if, for an this sort of "hot" mo *to flow elsewhere,* present mortgage fe turn to famine very indeed.

In any case there a rather peculiar featu this present mortgage f instance, the building give as the official re they cannot reduce the very high interest rat size of the "unsatisfied for mortgages. Yet them are now finding sary to advertise quite that they have "mo able for lending." And t the fact that a record these additional funds a at the moment, not house-buying deals, "liquidity reserves." societies keep maybe their funds in this w because so many deals t months to complete cash, though earmarke yet changed hands. E moment—and indeed end of last year when Registrar of Friendly commented on the ph these "reserves" have s tween 17 and 18.5% of —which means som billion of idle cash i around in the system.

Even when the m through to real ho ever, it appears t ing on the ma rather ambiguous way mean is that a great de going to finance the highly inflationary in the prices of existing and relatively little building, even in the S

Over the last decade, pattern has been that of all mortgage lending into new homes, and into old ones: but cur balance has shifted to ter: three-quarters. O believe this to be who nected with the failu Great 1971 New House heard so much about t into anything like its full glory. And it does raise tion as to whether the are really putting the where the need is.

Frankly, I'm puzzled does seem that it is i upon the men who are run Britain's most financial engine to com some answers as to w think they are driving

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